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E GERMANY
Building surge brings hope for the economy
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World News | Business Summary

Fed fines man who bought bank for BCCI

The US Federal Reserve Bank yesterday imposed a $37m fine on a Saudi Arabian investor who illegally bought a California bank on behalf of the scandal-ridden Bank of Credit and Commerce International.

Ghaith Pharaon has also been charged with buying up shares in two other US banks for BCCI, and a New York federal court froze his assets *pending completion of the US* central bank's enforcement action. Pharaon, whose whereabouts are unknown, controls a worldwide web of companies.

Nato call to Japan
Nato secretary-general Manfred Wörner urged Japan to play a positive role in world peacekeeping. Kaifu's friends turn on him, Page 16

Top UN post for Saudi
Saudi Arabian diplomat Samir Shihabi, a 66-year-old Jerusalem-born Palestinian, was voted president of the United Nations General Assembly in a three-way contest. Page 4

Hong Kong demand
The pro-democracy party which dominated Sunday's Hong Kong elections is stepping up demands for a say in governing the colony. The United Democrats have listed people they want selected for the Legislative Council, to which the governor can appoint 17 people. Page 4

Noriega trial
A cocaine smuggler told a Miami court that he saw the name of former Panamanian dictator Manuel Noriega in the main ledger kept by Colombia's Medellin cocaine cartel. Noriega is accused of using Panama as a conduit for drug cartel operations.

Spain breaks drug ring
Spanish police said they had broken a drug smuggling ring and seized 100lbs of heroin, their biggest haul this year. Four Yugoslavs and five Turks were arrested.

Faction fighting flares
Four people died in South Africa in renewed faction fighting in black townships, and two more were killed during clashes with police patrols.

Manila move
Philippines president Corazon Aquino withdrew a notice closing down the US naval base at Subic Bay. She said it would not be issued until her government held a referendum aimed at overturning a Senate vote to expel the US military.

Bomb kills policeman
A bomb at Swatragh, Northern Ireland, killed a policeman and injured three soldiers. The attack appeared to be in revenge for Monday's murder of a local councillor for Sinn Fein, the IRA's political wing.

EC veto proposal
The Netherlands is suggesting a big increase in the powers of the European Parliament, including the right to veto most EC legislation. Dutch protest strike, Page 16; Personal view, Page 15

BBC Asia service
The British Broadcasting Corporation is to launch a round-the-clock television news service to 38 Asian countries in November.

New look at UK case
Britain's home affairs minister is asking the appeal court to review the case of Judith Ward – convicted of a 1974 coach bombing in which 12 people died. The appeal follows a review of forensic evidence given at the trial.

Indians kidnapped
Five millionaire Bombay diamond dealers have been kidnapped in New Delhi after being lured to the capital on a business invitation. No ransom demands have been made.

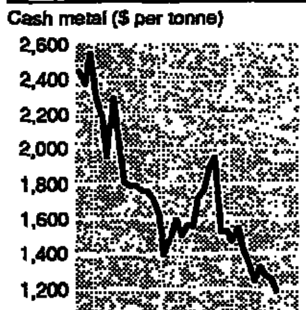
Rover Group seeks new working practices

Rover Group is seeking radical changes in working practices among its 35,000-strong UK workforce to meet increasing competition from new Japanese car plants in the UK and elsewhere in Europe.

Its proposals effectively challenge the trade unions to agree to reforms granting Rover the same conditions and flexibility to those already being conceded to Japanese carmakers. Page 8

ALUMINIUM stocks in London Metal Exchange warehouses climbed to the highest level ever recorded for a single base metal, to reach 653,775 tonnes. This relentless accumulation

Aluminium
Cash metal ($ per tonne)



Source: Datastream

has taken prices down to the lowest levels since the LME launched its contract for 99.7 per cent metal in 1987. Yesterday, three-month aluminium closed at $1,224.50 a tonne, $15 down on the day, after falling as low as $1,222 earlier in the day. Commodities, Page 28

PORSCHE, German luxury sports car maker, reasserted its desire to stay independent following speculation that Mercedes-Benz or Volkswagen might be interested in buying a stake. Page 17; Living dangerously in the fast lane, Page 21

RENAULT, French state-owned carmaker, and Volvo of Sweden took their co-operation a significant step further by exchanging senior staff in their French sales divisions. Co-operation between the two companies is the latest consequence of last year's share swap. Page 17

SEALINK-STENA, one of Britain's largest cross-channel ferry operators, is today to announce drastic cuts in jobs and services, according to Stena, the company's Swedish parent. Page 17

SUMITOMO Chemical, a leading Japanese producer of agricultural and basic chemicals, has taken 100 per cent of a California-based agricultural chemicals company, Valent USA, the 11th-ranked agricultural chemical producer in the US. The purchase price was not disclosed. Page 19

BASF, German chemicals group, is taking full control of Comparex, the computer marketing company it formed nearly five years ago with Siemens, the German electronics giant. It will acquire Siemens' 33.5 per cent stake for an undisclosed sum. Page 18

FAI Insurances, Australian insurance and investment group, announced net operating loss of A$144m 2m) ($115m) for the year to the end of June, compared with a profit of A$18m last year. Page 19

JAPAN Securities Dealers Association has decided to launch computerised trading for the over-the-counter market on October 28. Page 30

STATOIL, Norwegian state oil company, is pushing ahead with plans for the construction of a NKr2.5bn ($380m) chemical production plant. Page 18

SOUTH KOREAN government on ordered the Seoul branch of French Banque Indosuez to suspend foreign exchange business for one week as a penalty for alleged illegal transactions. Page 2

Leaders pledge withdrawal of federal, Serb and Croat forces

Yugoslav ceasefire agreed

By Laura Silber in Belgrade, **David Gardner** in Brussels and **David Owen** in London

A CEASEFIRE was agreed in Yugoslavia yesterday between the European Community and leaders of Serbia, Croatia and the Yugoslav army.

The agreement got off to a shaky start, however, after the Croatian government accused the federal army of bombing a suburb of Zagreb.

The ceasefire, brokered by Lord Carrington, chairman of the European Community's Peace Conference, was supposed to take effect immediately. It was seen as the last opportunity for Yugoslavia's warring factions to negotiate a political solution to the country's worst crisis since the Second World War.

However, after the departure of Lord Carrington from the republic of Montenegro, the Yugoslav signatories issued their own statement claiming that the ceasefire would come into effect at noon today.

In a statement issued after the negotiations, Lord Carrington warned: "This country is *only days away from a state of* irretrievable civil war. On that, at least, there is no argument."

Only hours after Lord Carrington's warning, Mr Imra Agotic, Croatia's minister of defence, accused the Yugoslav armed forces of launching an air attack on a suburb of Zagreb, the Croatin capital.

Lord Carrington's remarks came after intense negotiations with Mr Slobodan Milosevic, president of Serbia, Mr Franjo Tudjman, president of Croatia, and General Veljko Kadijevic, defence minister, in Igalo, the republic of Montenegro. General Blajoe Adzic, chief of staff, was also present.

"We recognise this is the last

THE CRISIS IN YUGOSLAVIA
- Naval blockade raises doubts about oil supplies
- Keeping peace may be easier said than done
- Europe split over role in Yugoslavia

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- Editorial Comment

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chance to defuse and stop the present warfare... We are fully conscious of the heavy responsibility we share at this crucial moment," the statement said.

In the joint declaration signed at Igalo, the leaders agreed to an immediate ceasefire monitored by EC observers, and the "instant and simultaneous withdrawal" of federal army units, as well as Serb and Croat paramilitary forces from battle zones.

The statement also called on all forces "under our political *and military influence" to dis*arm and demobilise. The federal army will immediately withdraw to barracks simultaneous with the demobilisation of Croat reserve forces.

The declaration was signed, in spite of faint hopes for a lasting ceasefire as intense violence engulfed Croatia. Several ceasefires have been signed – and broken – since the first agreement in July.

Since then, more than four hundred people have died in fighting between ethnic Serbs and Croats in Croatia. Croatia and Slovenia declared their independence on June 25.

EC foreign ministers are due to be briefed by Lord Carrington in The Hague today. This will be followed by a meeting of the nine-nation Western European Union which will discuss the Dutch proposal that a peacekeeping force be dispatched to Yugoslavia.

Officials from the current Dutch presidency of the EC made clear yesterday that a WEU peacekeeping force would only be sent to control an agreed ceasefire in Croatia, not to impose peace. It would *therefore* be a beefed-up version of the faltering monitoring operation now in Yugoslavia.

"There must be a ceasefire before it goes in; it is not a peace-enforcing force," a Dutch Foreign Ministry spokesman said.

In The Hague, Dutch officials said no ceasefire would hold unless it can be effectively and impartially monitored. The 200-strong corps of unarmed EC observers now in Croatia have been largely ignored or brushed aside by the warring factions, and hostilities have not diminished to the point at which serious talks can begin at the EC-sponsored peace conference in The Hague.

"The reason we want this force is because we see that the monitors can't do their job," the Dutch spokesman said.

The Dutch presidency was encouraged by the latest ceasefire accord. The judgment of the situation by Lord Carrington, the former British foreign secretary, "could be decisive" in whether or not to send a European force, a senior official said.

France, Italy, and Germany looked set to back the Dutch idea at tomorrow's meeting in The Hague of the Twelve's foreign ministers and the WEU, to which all EC members except Ireland, Denmark and Greece belong.

Serbian Communist president Slobodan Milosevic (left) with Lord Carrington, chairman of The Hague peace conference, after talks in the Adriatic town of Igalo yesterday

Baker stays firm on loan guarantees

By Tony Walker in Cairo and **Lionel Barber** in Washington

MR JAMES BAKER, the US secretary of state, yesterday stuck by his government's insistence that Israel should shelve its application for a $10bn US loan guarantee until after a Middle East peace conference has been convened.

A US official also warned that approval for the loan guarantees would not be automatic and could depend on Israel's attitude to the building of settlements in the occupied West Bank and Gaza.

The official, travelling with Mr Baker, said Arab states would boycott the proposed October conference if the US provided the loan guarantees without conditions. "The Arabs would not show up, and who could blame them?" he said.

US president George Bush last week threatened to veto the application if Israel continued to press for its immediate approval by Congress. Israel has requested the loan guarantees to assist in settling Soviet Jewish immigrants.

During talks in Jerusalem, Mr Baker gave qualified undertakings that the US would not seek a further delay after January and promised that the US would compensate Israel for any losses incurred as a result of the 120-day deferral demanded by Mr Bush.

But the administration is clearly trying to tie approval for the loan guarantees to a commitment by Israel to stop building new settlements in the occupied Arab territories, a demand Israel has long rejected.

The undertakings by Mr Baker were part of a six-point package presented to Mr Yitzhak Shamir, Israel's prime minister, in an effort to defuse the row over the loan guarantees.

A senior US official told reporters on the flight from Tel Aviv to Cairo that the administration could not promise that loan guarantees would be approved in January, nor could it guarantee a specific amount.

The senior official was quoted as describing the compromise proposal as "damned forthcoming", and said the US would not bow to other Israeli demands.

Other elements of the six-point proposal include an undertaking that the administration would work with Congress to draft legislation on the loan guarantees, and that it would try to persuade other countries to provide loan guarantees for Israel.

The Bush administration has already asked Germany and Japan to consider future financial aid to Israel. But Washington may seek to make this international support – as well as its own approval of some or all of Israel's request for $10bn of loan guarantees – conditional on an Israeli agreement to freeze settlements in the occupied territories.

"It's a question frankly of not being able to justify in our own minds, or to the other parties in the peace process, an unconditional $10bn infusion that doesn't have any restrictions (on settlements)."

Mr Shamir was non-committal earlier yesterday when questioned about his talks with Mr Baker on the loan guarantee. "We have not yet resolved it, but we have discussed it and we will continue these discussions in the next few days."

Williams launches £703m hostile offer for Racal

By Richard Gourlay and Roland Rudd in London

WILLIAMS HOLDINGS, the UK industrial conglomerate, yesterday launched a £703m ($1.22bn) hostile takeover bid for Racal Electronics, the British defence and data communications company which Sir Ernest Harrison has chaired for more than 25 years.

The all-share offer last night valued each Racal share at 50½p, but Racal's shares had risen 6¼p to 57¼p on anticipation that the bid was an opening shot that might trigger offers from companies including General Electric Company, Thorn EMI and BTR.

J. Henry Schroder Wagg, the merchant bank which normally advises Williams, told Mr Nigel Rudd, Williams' chairman, that it could not work on a hostile bid for Racal because of information it had collated for another client.

This means that Schroders had advised either Racal on selling parts of its businesses or another potential bidder.

Williams shares yesterday lost 24p to close at 337p, cutting the value of the bid from the original £753m.

The three-for-20 share offer is the largest hostile bid for a UK company since CIN, the British Coal pension fund bid for Globe Investment Trust in 1990. It is also one of the largest all-share bids ever in the UK, prompting speculation that Williams might later have to sweeten the deal with an improved offer including cash.

Mr Rudd said he had no option but to launch a hostile bid for Racal. "I have met Sir Ernest before. Everything I heard about his reaction to the speculation of a bid from Cable & Wireless (in 1988) led me to believe he was not about to accept a bid from us."

Racal reacted to the hostile bid, which caught Sir Ernest out of the UK on a business trip, with a terse recommendation to shareholders to take no action.

Williams said it had bought a 2.8 per cent stake on Monday, the first day that Racal Electronics traded in its new form after the demerger of its 80 per cent stake in Racal Telecom, the operator of Vodafone.

Williams has interests in building and DIY products and specialist engineering with brands including Yale locks and Rawlplug.

Mr Rudd said he was most interested in Racal Chubb, the security and locks business which is the new Racal's most profitable division. Acknowledging possible competition problems, he said Williams would be prepared to sell Chubb's lock and safe businesses and its own Goodwin locks operation.

Advisers to Williams also said it would look seriously at selling Racal's loss-making data communications business, which faces stiff competition in the US, and the data networking business which links 21 UK government departments.

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Growth waves, Page 14
Lex, Page 16
A mixed performer, Page 25

Roubles printed round the clock

By John Lloyd in Moscow

MONEY is being printed in the Soviet Union as rapidly as possible. "The only limit to the money supply in the Soviet Union today is the capacity of the money presses," Mr Yuri Balagurov, managing director of the money supply department of the State Bank (Gosbank), said yesterday.

Mr Balagurov, in charge of controlling Soviet money supply, can do nothing now but carry on printing. "Nothing much can be done without political will, and there is at present no political will. We have plenty of good mechanisms, but they are not being applied."

The State Bank has lost almost all control of money, said Mr Balagurov.

Wages are nearly double last year's level while expenditure has risen by 169 per cent; wages are expected to rise still further, to 212 per cent of last year's level, by the year end.

The two state mints and two money printing centres are working round the clock. There are no reserves of newly printed cash and republics are merely notified which days' production they can collect, hot from the presses.

The process of uncontrolled printing, fuelled by steadily rising wages, is not matched by extra production, which is falling in most sectors. Enterprises borrow from commercial banks to meet their wage bills; commercial banks demand extra cash from the republican central banks, which in turn demand more from Gosbank, which has no choice but to meet their demands.

The bank, said Mr Balagurov, has called for a wages and prices freeze no less than five times although he doubts if the authorities could enforce either.

The great danger, he said, is hyperinflation, although he said it is meaningless to put a figure on current inflation. Mr Grigory Yavlinsky, one of the four-strong leadership of the Committee of Management of the National Economy, said last week that it was now running at between 2 and 3 per cent a week.

All republics, "driven by a desire to be popular", are now passing on the price of their popularity direct to the State Bank. Mr Balagurov said that when, earlier this year, the

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No place to be an "enemy of the people". Page 2
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Japan's ruling party squabbles in public over leadership

The enemies of Toshiki Kaifu, the Japanese prime minister, have no qualms about turning on him in public. The fight over leadership of the Liberal Democrats has begun in earnest
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MARKETS

STERLING
New York lunchtime:
$1.744
London:
$1.7425 (1.7395)
DM2.91 (same)
FFr9 91 (9.915)
SFr2.5425 (2.5425)
Y233.25 (232.25)
£ index 91.0 (same)

GOLD
New York: Comex Dec
$350.4 (348.3)
London:
$346.55 (345.65)

N SEA OIL (Argus)
Brent NOV
$20.225 (-0.20)

Chief price changes yesterday. Page 17

DOLLAR
New York lunchtime:
DM1.6695
FFr5.688
SFr1.457
Y133.705
London:
DM1.6705 (1.6735)
FFr5.6875 (5.7)
SFr1.4585 (1.462)
Y133.8 (133.55)
$ index 64.7 (same)
Tokyo close: Y133.63

US lunchtime rates
Fed Funds: $5\frac{3}{8}$%
3-mo Treasury Bills: 5.326%
Long Bond: $102\frac{7}{32}$
yield: 7.924%

STOCK INDICES
FT-SE 100:
2,594.4 (-11.8)
FT Ordinary:
2,037.9 (-13.1)
FT-A All-Share:
1,257.00 (-0.3%)
New York lunchtime:
DJ Ind. Av
3,007.83 (-7.38)
S&P Comp
385.37 (-0.41)
Tokyo: Nikkei
23,443.61 (+309.18)

LONDON MONEY
3-month interbank:
$10\frac{3}{16}$% (same)
Liffe long gilt future:
$96\frac{1}{4}$ ($96\frac{1}{16}$)

Aid from west 'would lift Russian oil output'

By William Dullforce in Geneva

A SUBSTANTIAL injection of western equipment for oil wells in west Siberia could bring an instant and sustained growth of between 5 and 10 per cent in Russian oil production, a group of western businessmen said yesterday.

They called for a quick decision on currency reform and said free currency conversion was urgently needed to relaunch trade. It should be accepted as inevitable that newly independent republics would create their own currencies but the reforms should be co-ordinated to the greatest possible extent.

The republics should share a "common democratic, strategic and economic space", allowing the free circulation of goods, services, capital and people but with decisions taken at the centre only if they could not be effectively taken at the republic level.

These proposals were among 12 points contained in a letter from Professor Klaus Schwab, president of the World Economic Forum, to Soviet President Mikhail Gorbachev and Russian President Boris Yeltsin, summing up the recommendations of 150 businessmen who met Soviet political and business leaders at a three-day seminar in Moscow organised by the WEF earlier this month.

> 'If possible, decisions should be taken by republics'

Massive private investment would not come quickly, the businessmen declared. They advised the Russians to concentrate on oil, gas, mining and forest industries, whose products could be exported at competitive world market prices. Foreign banks could provide project finance under which debt was serviced by export proceeds.

The Soviet military-industrial sector contained formidable resources but its basic organisation made it unsuitable for a market system.

The newly formed governments should put out a comprehensive businessman's guide, listing the authorities involved in regulating business, the organisations created to help joint ventures and the companies singled out for privatisation.

Large-scale privatisation could not be accomplished quickly but, the businessmen suggested, as a first step residential dwellings could be assigned to their tenants, retail stores to their employees and suburban plots of land to their farmers. Such measures could palliate the negative consequences of reduced purchasing power and deteriorating welfare.

Commercial laws, embodying property rights, patent and licence protection, needed to be made comparable with western standards.

The businessmen proposed that the Russians looked at the Swedish model.

GEORGIAN opposition leader Georgy Chanturia (above) addressing a rally in Tbilisi an hour before he and two other *opponents of President Zviad Gamsakhurdia* were arrested, Reuter reports from Tbilisi.

The three had boarded a late evening flight to Moscow on Monday which was ordered to return to the Georgian capital after 20 minutes. Plainclothes officers arrested them at the airport. No *official reason has been given for their* detention.

Georgia's parliament, at a stormy session on *Sunday* boycotted by the small opposition bloc, passed a law declaring sovereignty over the republic's airspace, presumably giving authorities the power to force aircraft *to return to base.*

The arrests could generate further tension in the republic, where rival protesters backing and denouncing the nationalist President Gamsakhurdia have been on the streets of Tbilisi for two weeks.

Opposition leaders accuse Mr Gamsakhurdia of dictatorial behaviour, muzzling the local press and oppressing minority groups like Abkhazians and Ossetians who want no part of Georgian independence.

Russia is still no place to be an 'enemy of the people'

By Mark Nicholson in Moscow

DEFENCE lawyers for the men accused of plotting the Soviet coup took the unprecedented and extremely brave step yesterday of calling a press conference to complain that their defendants were being subjected to a trial by media.

In an act of laudable democratic intent largely lost on a pack of agitated Soviet reporters jamming a room in Moscow's House of Journalists, the five lawyers strove, with punctilious professional regard for the Soviet equivalent of sub-judice, to counter what they saw as a media campaign of leaks and lies.

"The mass media is creating a psychosis against our defendants," said Mr Yuri Ivanov, lawyer for Mr Vladimir Kryuchkov, the former KGB chief, professing particular pique that a journalist had managed to interview his client 10 days before he could.

A plea from the press conference's moderator to "be kind to our guests" won no mercy from the Soviet reporters.

"Well, did they do it or didn't they?" asked one reporter. "Who is paying your fees?" asked another. Then one particularly fierce woman reporter, getting neatly to the point, demanded: "Do you want to go down in history as the men who let off the putchists?" "That is rather a spicy question," replied Mr Alexei Kologanov, who is defending Mr Vladimir Pavlov, former prime minister. "If the accused is not guilty and acquitted, the defence lawyer should see it as a great success."

The lawyers' point was that the trial of the 14 for treason, for which the penalty could be death, must be conducted with due process if democracy is to win its full place in the residual Soviet Union.

So far, the lawyers said, the process was proving imperfect. They complained that while they had signed a document preventing them from disclosing evidence amassed during the pre-trial investigation, the Russian prosecutor's office had not, and leaks were appearing in the press.

Nevertheless, the outline of their lawyers' line of defence became apparent yesterday. The detained 14, of which 10 have pleaded not guilty, one has confessed and three have pleaded "partially guilty", stand accused of high treason against "the Motherland", for which the lawyers claimed there is no definition in law.

Communists deny secret bank hoard

By John Lloyd in Moscow

TWO leading Communist officials yesterday denied the party had funds overseas, secret companies or lucrative business ventures.

Mr V. Mishin and Mr N. Kapanets told the Komsomolskaya Pravda newspaper the party had Rbs7.7bn (about £150m at the tourist exchange rate) in various banks and in party branches, and a further 12.4m in hard currency roubles – about £4m.

The two men are the surviving executives of the Communist party's administration after its former head, Mr Nikolai Kruchina, committed suicide soon after the coup failed.

Komsomolskaya Pravda last week alleged the party had $12bn salted away in western banks, while the weekly Commersant repeated the claim of the Moscow Business Convention, a private entrepreneurs' association, that $100bn had been banked abroad. On Sunday, the Greek newspaper To Vima reported that a shipping line belonging to the Greek Communist party had been used to launder party funds worth "tens of millions of dollars".

East-west cities centre to be housed in Strasbourg

By Paul Cheeseright, Midlands Correspondent

STRASBOURG will be the centre of an attempt to impose order on the increasingly complex pattern of co-operation between the cities of central Europe and the European Community. It will be the home of a clearing house for aid requests from the east.

This was decided yesterday at the Eurocities conference, which took place in Birmingham.

Eurocities is a network of 40 cities, from Lisbon in the west to Lodz in the east, from Glasgow in the north to Athens in the south. It brings together municipal authorities to share experiences and to concert urban policy. It is establishing a secretariat in Brussels.

The Strasbourg centre scheme emerged from discussions at a Eurocities commission on east-west co-operation. It was felt there were many demands for help from cities in the east to tackle neglected urban problems such as pollution, housing and transport, all of which were being handled in ad hoc fashion.

Initial costs of the centre are put at Ecu10m (£7m). An application for Ecu5m has been lodged with the European Commission.

Bank chief warns on German inflation

By Ian Davidson in Paris

THE governor of the Bank of France yesterday warned Germany that the increase in its inflation rate was causing concern to its EC partners.

Mr Jacques de Larosière told the annual meeting of the German Savings Banks' Association in Bonn it was essential the burden of anti-inflationary policy be shared by monetary policy, control over the budget deficit and reasonable income trends.

"There would be obvious risks for Europe," he said, "if Germany were to deepen its budget deficit for any length of time in order to finance the social and economic costs of unification."

His warning on German inflation underlines the converse fear that the costs of German unification could have a destabilising effect on the Community's monetary system.

Mr de Larosière said the D-Mark should cease to play its role as the benchmark for the European Monetary System. "The operation of the EMS has highlighted the notion of an anchor which is essential for encouraging convergence...Even though the D-Mark has brilliantly fulfilled this role over a long period, it is time to make the anchor even more effective by observing that there is now a collective anchor made up of the group of currencies with the lowest inflation."

Czech minister quits over 'smears'

Czechoslovak Deputy Prime Minister Vaclac Vales, in charge of co-ordinating economic policy, resigned yesterday after allegations he had links to the secret police, Reuter reports from Prague.

President Vaclav Havel announced Mr Vales' resignation over a 'smear campaign' in the press and parliament.

"He is disgusted by unjust attacks against him in the parliament and in the press," Mr Havel said. "I am disgusted by these attacks myself. I have verified that they are unjustified and unfounded."

Finland sends out signals towards EC

By Robert Taylor in Stockholm

FINLAND will make up its mind on whether to apply to join the European Community early next year. Over the past few days two of the government's key figures have given positive signals of their intentions as the country's recession has worsened rapidly.

On a visit to Brussels earlier this week the prime minister, Mr Esko Aho, said that his country would decide what to do about an EC application after the EC's Maastricht summit conference in November and the conclusion of current negotiations on the creation of a 19-nation European Economic Area between the EC and European Free Trade Association.

His remarks follow on rapidly from the positive pro-EC message delivered last week by Mr Pertti Salolainen, Finland's trade minister and recently elected leader of the country's Conservative party. Speaking at the European conservative congress in Paris he said he believed Finland would decide over an EC application by next summer.

The emergence of a national consensus on Europe can also be seen in the growing support for the EC inside the Finnish Social Democratic party. Its executive committee is due to meet on September 26 and is expected to adopt a positive position on an EC membership application. The Social Democrats are holding a special congress in November to discuss their leadership. The party's current leader and the former foreign minister, Mr Pertti Paasio, announced his conversion to the cause of Finnish membership of the EC within a day of leaving office last spring.

Finnish foreign policy is very much the preserve of the country's president and up until now Mr Mauno Koivisto, a Social Democrat, has not made any public declaration over the EC.

However, the growing signs of a pro-EC bandwagon rolling among the country's political élite suggests that the president is also likely to be heading in the same direction.

Two important trends are starting to harden attitudes inside Finland.

The collapse of Soviet communism and emergence of Russia as an independent force has brought a reappraisal of Finland's complex relationship with its giant neighbour. Many influential Finns now believe it would in fact be in Russian as well as Finnish interest for their country to become an EC member.

But just as important is the political response to the sharp deterioration in the Finnish economy that has taken place over the past few months. Last Friday the government announced its budget proposals for 1992 which involve huge foreign borrowing, cuts in social benefits, higher taxes and a national incomes settlement to include a real cut of up to 10 per cent in workers' pay.

The austerity package seems unlikely to acquire the two-thirds majority needed in parliament to come into force because of the opposition of the Social Democrats, adding to a growing sense of crisis in the country.

Party disqualified from Polish election

By Christopher Bobinski in Warsaw

MR Stanislaw Tyminski's X party, which represents the most serious populist challenge to Poland's post-communist order, has been disqualified from standing in all but four districts in the first free general election on October 27.

Mr Tyminski is a Polish Canadian businessman who won a fifth of the vote to come second to Mr Lech Walesa in last year's presidential election.

Yesterday his X party lost a court appeal against disqualification on the grounds that almost a quarter of the signatures nominating his candidates had been forged and that the party had thus failed to provide the 5,000 signatures required.

The ruling leaves the party with a mere 44 candidates to the 460-seat parliament in Torun, Kielce, Olsztyn and Koszalin.

Opinion polls have shown that the party could count on up to 10 per cent of the vote.

Mr Tyminski's support comes from areas most hit by unemployment, now approaching 2m.

His charges that Poland's rulers were betraying the country's interests won him almost a cult following in last autumn's presidential election.

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CRISIS IN YUGOSLAVIA

Peacekeeping plan for WEU underlines differences among member states

Europe split over role in Yugoslavia

By Robert Mauthner, Diplomatic Editor in London **and Quentin Peel** in Bonn

THE Dutch plan to use the nine-nation Western European Union as the vehicle for a peacekeeping operation in Yugoslavia could do more to underline the differences between the member states than to unite them in joint action.

Well before tomorrow's meeting in the Hague of foreign ministers of the member countries, all of whom also belong to the European Community, it has become obvious that there are deep differences between them on the role the EC and the WEU should play in the crisis. The chances of bridging the gap in the Hague depend very much on whether yesterday's cease-fire holds.

Of all the EC member states, Germany enjoys the most remarkable degree of consensus about its sympathies in the Yugoslav conflict and has taken the clearest stand on the role that the EC should adopt. The great majority of Germans backs the independence aspirations of Croatia and Slovenia.

At one end of the political spectrum, the ruling Christian Democrats (CDU) and their allies do not hide their sympathy for their Catholic fellow-believers in Croatia. At the other end, the Social Democrats (SDP) have supported the same side for humanitarian reasons, though they have publicly opposed sending a peace-keeping force.

Yet German observers believe there is little historical memory in their national response. "The Second World War is virtually forgotten," says Dr Jochen Thies of the German Foreign Policy Association. "The Croatian fascist alliance is forgotten and so is the British alliance with Tito and the British role in creating the Yugoslav state."

Above all, there is widespread frustration in Germany at the inability of the EC to take a firm and united stand against greater Serbian nationalism. This feeling is compounded by a growing fear that any split in the Community will be extremely damaging at the very time when much closer political and foreign policy integration is being negotiated.

At the same time, the German position has been greatly weakened by the fact that, while it wants a force sent, it claims that it is constitutionally debarred from contributing men to such an operation, as it did in the Gulf war.

The patent inconsistency in the position of Mr Hans-Dietrich Genscher, the foreign minister, has been the subject of intense irritation in other capitals, particularly London. "If the Germans do not intend to participate [in the proposed WEU force], they would do better to shut up," one senior British official said.

While the Italians, after a complete turnaround in their position, have finally come out in favour of the WEU proposal, serious doubts are being expressed both in London and Paris about the advisability of sending a European force to Yugoslavia at all at this stage. The French are clearly torn between their conviction that such a peacekeeping role would be more effectively assumed by the United Nations than by the WEU, and their desire to promote a "European defence identity". But France shares the British insistence that a number of basic conditions have to be fulfilled first.

These, in the British view, are that a cease-fire has to be in place and must be seen to be working, that all the parties in the conflict, including irregular forces and the federal army, should agree to the deployment of a WEU force, and that it must be clear to all parties that such a step is likely to contribute to a solution of Yugoslavia's fundamental problems.

Mr Douglas Hurd, the British foreign secretary, has not ruled out the despatch of a European force for all time. But it is highly unlikely that he will go as far as committing himself to a step with such far-reaching political and military implications at the Hague meeting.

Even Mr Willem van Eekelen, the WEU secretary-general, and an enthusiastic advocate of an enhanced defence role for Europe, has adopted a noticeably cautious attitude towards the proposal.

In view of all the difficulties and disagreements, over- ambitious ideas of sending a 30,000-strong force have been greatly watered down over the last 48 hours. The most that can be expected at the moment is a decision in principle to give the 400 to 500 EC cease-fire monitors protection involving no more than a few thousand lightly-armed military personnel. Yet even such a modest step might prove too difficult for some to swallow.

A Serbian commando takes up his position, awaiting an attack by Croatian forces, near the town of Knin in southern Croatia yesterday.

Naval blockade raises doubts about oil supplies

By Anthony Robinson in London and **Nicholas Denton** in Budapest

THE naval blockade imposed on Croatia's seven main ports early yesterday tightened the noose around what was once the most prosperous part of the republic and deepened Hungarian and Czechoslovak concern about the security of their oil supplies.

Hours after the blockade was imposed naval forces took part in a combined naval-army attack on the port city of Sibenik, the first such co-ordinated attack by the two services since fighting began three months ago, while Croat radio said 10 warships had put federal troops and equipment ashore at Split, another scene of fierce fighting yesterday.

Well before the Yugoslav federal navy imposed its blockade on Croatia's ports, however, the severing of economic links inside the country during three months of civil war had already reduced their hinterland to little more than the narrow coastal strip.

One exception used to be oil. But an 80,000-ton shipment of crude oil destined for Czechoslovakia remained trapped yesterday after Croat authorities lost control of a section of the Adria pipeline which carries 10m tons of oil a year from a pumping station on the island of Krk, south of Rijeka, north to refineries in Hungary and Czechoslovakia.

Croatia said it could no longer guarantee oil supplies through its territory on Monday when Serbian units reportedly seized five pumping stations at Sisak, close to Zagreb.

Railways from the ports have not been functioning for weeks while road blocks on the main route between Belgrade and Zagreb have forced most international road freight traffic to seek alternative routes through Hungary.

Port life has also been hard hit by the collapse of tourism, which used to sustain a busy ferry traffic to and from the villages and ports on this island-studded coastline, which was dominated for centuries by Venice.

By imposing a ban on all ships entering or leaving the ports of Split, Pula, Rijeka, Zadar, Sibenik, Ploce and Dubrovnik the federal army stepped up its pressure on Croatia, only hours before Lord Carrington, the former UK foreign secretary began his talks with Serb, Croat and Yugoslav federal leaders a few miles further down the coast at Igalo, in Montenegro.

Western diplomats believe the decision to impose a naval blockade was partly an additional "tit for tat" response to Croatia's earlier decision to cut off oil supplies to Serbia.

But military analysts point out that imposition of the blockade would complicate future arms supplies to Croatia.

Above all, the blockade underlines Serbia's demand for access to the sea in any future territorial negotiations. High on Belgrade's agenda would be the incorporation of Serb enclaves such as Knin, an important railway junction behind the three main ports of Zadar, Sibenik and Split.

Three of the seven blockaded ports – Split, Pula and Sibenik – are also naval ports; other naval facilities are at Kardeljevo and Kotor. Between them the five naval bases are home to a mainly coastal defence and patrol force of five submarines, four frigates and 59 fast patrol and coastal combat ships.

In purely military terms the small boats now guarding the entrances to the Croatian ports have a mainly symbolic importance. But several of the port cities have already suffered aerial bombardments and air force intimidation and are swollen by refugees. For them, the grey ships riding outside the harbours are the latest demonstration of Serb steel.

Keeping peace may be easier said than done

By David White, Defence Correspondent

MILITARY experts with experience of peacekeeping missions have serious reservations about proposals to use European troops to enforce a ceasefire in Yugoslavia.

The example of UN peacekeeping forces was cited by Mr Hans van den Broek, the Dutch foreign minister, as a possible model. But UN operations have been relatively limited in their ambition and scale, focusing on monitoring agreed ceasefires rather than imposing peace on warring forces.

Except for attacks suffered in Lebanon, UN forces have generally managed to avoid becoming targets, and have had few casualties. But other examples of outside intervention show how easy it is for would-be neutral forces to slide into a conflict.

Complex questions would first have to be resolved about the kind and size of force required, its composition, its rules of engagement and – thorniest of all – the definition of its role.

British officers reckon that to stand between the rival armies and paramilitaries in Yugoslavia would require a force of at least tens of thousands, backed up by surveillance aircraft and helicopters.

But its task – which after a ceasefire would be to prevent local friction flaring up into a renewed conflict – would be greatly complicated by the lack of a clear territorial dividing line.

There is concern that, even if a ceasefire is established between the "overt" forces (federal and republic armies), the conflict could degenerate into a guerrilla or terrorist campaign.

The nine-nation Western European Union has no experience of peacekeeping. The nearest it has come has been joint minesweeping operations in the Gulf, first organised under its aegis in 1988.

It will need to establish which countries are prepared to send forces, and which are acceptable to the authorities and populations concerned. Troops sent there risk becoming rapidly perceived as partisan, or as hostile occupiers. Although the Dutch proposal foresees "lightly-armed troops", if they became a target they could face quite sophisticated weapons.

British caution is rooted in bitter experience of Northern Ireland. In 1969, the reason for deploying troops in Belfast and Londonderry and sending reinforcements was to separate warring factions. Soldiers saw themselves as protecting the Catholic population. But within months resentment built up among Catholics, successfully exploited by the IRA. The army found itself caught uncomfortably between peace enforcement, acting as back-up policemen and fighting an anti-terrorist war, and is still there 22 years later.

The UN has covered a range of roles with civilian observers, military observers and lightly-equipped peacekeeping forces. But, partly because it lacked the organisation or the money to do more, it has kept to situations where a modest force sufficed and where it could remain above any conflict.

UN peacekeeping forces won the Nobel peace prize in 1988, the year observer forces were set up in Afghanistan and along the Iran-Iraq border. Since then there has been the successful UN Transition Assistance Group in Namibia in 1989-90, involving almost 8,000 civilians, soldiers and policemen, and the 16-nation UN Mission for the Referendum in the Western Sahara which started to deploy this month.

Non-UN initiatives have had much patchier success.

The difficulties of containing ethnic conflict were shown up by the Indian peacekeeping force sent to Sri Lanka in 1987, which at one point numbered 70,000 but which pulled out after 2¼ years.

In Liberia, the Nigerian-led Ecomog force – the "monitoring group" sent by the Economic Community of West African States last year – soon found itself in effect a party to the conflict, fighting against rebel leader Charles Taylor's National Patriotic Forces of Liberia.

For the military, perhaps the main worry, based on previous peacekeeping operations, is the difficulty forces have in extricating themselves. Apart from long-standing observer groups, which are relatively easy to maintain, the UN Peacekeeping Force in Cyprus (UNFICYP) has been there since 1964, and the UN Interim Force in Lebanon (UNIFIL) – note the word "interim" – since 1978.

Kurds seek to prevent allied pullout from Turkish border

By John Murray Brown in Ankara

IRAQI KURDISH leaders met President Turgut Ozal of Turkey yesterday as part of urgent efforts to secure continued allied support – amid suggestions that western forces now based in Turkey to deter aggression by Baghdad may soon be withdrawn.

The delegation, headed by Mr Jalal Talabani, is anxious to win food and medical aid from Ankara in the event of an allied withdrawal.

Western diplomats say no decision has yet been made about extending the three-month Operation Poised Hammer, the allies' air and ground presence in Silopi 10 miles from the Iraqi border to deter Iraq aggression. But the accord is due for review at the end of this month and senior diplomats in Ankara say the US and other allied forces are likely to pull out the 4,600 ground troops while maintaining an air strike threat at the joint US base at Incirlik, 310 miles from the Iraqi border.

Ankara yesterday announced its bilateral defence and economic co-operation agreement with the US had been extended another year, which would provide the legal base for the Incirlik base. But concern is increasing among the Turkish military at the presence of allied troops on its soil outside the scope of the accord with Washington.

Turkey, although anxious to prevent another massive refugee influx, has political reservations about the allied presence, particularly with elections approaching.

The Gulf war and subsequent allied relief effort has exposed the harshness of Turkey's policy towards its own 10m Kurds. The Turkish military is embroiled in a struggle against separatists of the Kurdish Workers Party, who since the end of the Gulf war have used power vacuum in north Iraq to mount attacks on Turkish army posts.

With general elections set for October 20, the authorities are bracing for possible unrest in the region.

Mr Talabani's group met an EC delegation on Monday and is due to set out today for European capitals and Washington. The Kurdish leadership is split over whether to agree terms of a draft accord with Baghdad, which would provide limited regional autonomy for the 3.5m Kurds of North Iraq.

The draft covers the autonomy issue, the normalisation of Iraqi Kurdistan and Baghdad's proposals for political and constitutional reform. However Mr Talabani is holding out for the oil-rich province of Kirkuk to be included in any autonomous region.

Hong Kong democrats step up demands

By Angus Foster in Hong Kong

THE UNITED Democrats, the pro-democracy party which dominated Sunday's first direct elections in Hong Kong, has stepped up demands for a say in governing the colony and will today deliver to Sir David Wilson, the governor, a list of about 20 people it wants selected for the Legislative Council.

The governor has in his gift 17 appointed seats. The appointments, which he will make within the next two weeks, will decide the balance of power in the 60-seat chamber and could be used to counteract the pro-democracy movement, which now controls about 20 seats.

Mr Martin Lee, leader of the party, met Sir David yesterday and discussed the appointments. He also demanded that United Democrats should sit on the Executive Council, the most senior decision-making body, similar to a cabinet.

Mr Lee said the governor agreed to consider his nominations, mainly liberal academics and professionals. But Mr Lee was unhappy because he did not agree to make appointments in proportion to the Democrats' victory.

The Democrats are trying to use the momentum generated by the victory to gain influence and push through policies to address social issues and demand more democracy.

If the Democrats' demands are accepted, which is thought unlikely, the party would emerge with a majority in the council, which debates government policy and approves finances. The government may try to defuse the affair and compromise by appointing a few liberals to the council.

The United Democrats and related liberal candidates won 15 of 18 seats contested in the direct elections. One independent will support the party's call for more democracy, as will four elected indirectly.

● Hong Kong and Vietnam have agreed to resume direct scheduled air services. Routes will be opened to Cathay Pacific Airways, Air Hong Kong and Vietnam Airlines.

IMF denies Lagos a clean bill of economic health

By William Keeling

THE International Monetary Fund has failed to grant the Nigerian government approval of its economic policy under a mid-term review of a 15-month agreement signed last January, western diplomats have said.

An IMF deal is critical to further negotiations between Nigeria and its creditors on the country's $35bn (£21bn) international debt. The current agreement with the Paris Club of creditor countries to which Nigeria owes $17.5bn is due to expire early next year, and the government is still negotiating to buy back up to 60 per cent of the $5.8bn debt owed to commercial banks.

The diplomats say that four months of talks between the IMF and the government have failed to break a deadlock over higher than agreed domestic expenditure. As one diplomat said, "the core of the problem is that the government has resorted to creating money to fund its expenditure programme".

Bankers in Lagos say the federal government has continued a trend set in January and February when it borrowed more than 12bn nairas (£650m) by issuing treasury bills. The bankers report that most government borrowing has been used to repay internal debts, leading to a substantial increase in domestic money supply.

In addition, bankers say the Central Bank of Nigeria has subscribed to about 40 per cent of treasury bill issues. This has fuelled inflation which bankers currently put at more than 20 per cent, up from less than 10 per cent at the end of last year.

Of particular concern to the IMF, diplomats confirm, has been the expenditure of the 30 state governments. State governments announced substantial increases in their annual budgets in January, and the problem has been compounded by nine new states being created last month.

Western diplomats have also expressed concern at expenditure on two big projects, in steel and aluminium, which they say should be scrapped, and a contract to purchase 150 tanks from Vickers of the UK.

The diplomats say that excessive domestic expenditure has been mirrored by higher than expected international debt-service payments and lower than forecast oil prices. Export of crude oil provides about 95 per cent of Nigeria's foreign exchange earnings.

Nigeria's agreement in January with the Paris Club for the rescheduling and servicing of debt was based on a projected oil price of $23, they say. This has not materialised and Nigeria's scheduled debt service payments are proving unexpectedly onerous.

Peace may have broken out in Mpumalanga, but Phola Park squatter camp in Johannesburg has not been so fortunate. A resident was shot dead (above) by police yesterday in renewed violence

Saudi diplomat wins top UN post

By Michael Littlejohns, United Nations correspondent, in New York

SAUDI ARABIA scored a stunning success in the United Nations yesterday, winning the presidency of the General Assembly for its chief delegate, Mr Samir Shihabi, in a three-way contest.

Mr Shihabi, a 66-year-old Jerusalem-born Palestinian who has worked in the kingdom's diplomatic service since 1949, received 83 votes to 47 for Sir Michael Somare, foreign minister of Papua New Guinea, and 23 votes for Mr Abdalla al-Ashtal, UN representative of Yemen.

The new president's candidacy was perceived initially to have been offered to block Mr al-Ashtal, who, as a member of the UN Security Council, often sided with Iraq during the Gulf war. But Mr Shihabi later pursued a vigorous campaign, overtaking Sir Michael, who had been an early favourite, with Commonwealth support.

Saudi Arabia had never even sought previously a UN committee chairmanship, a customary preliminary to a run for the presidency. Some diplomats said Mr Shihabi's success might herald a much more active role for the kingdom in international affairs.

The UN was scheduled last night to admit the free newly independent Baltic states, the two Koreas, and Micronesia, and the Marshall Islands to UN membership.

Why murder ended in Mpumalanga

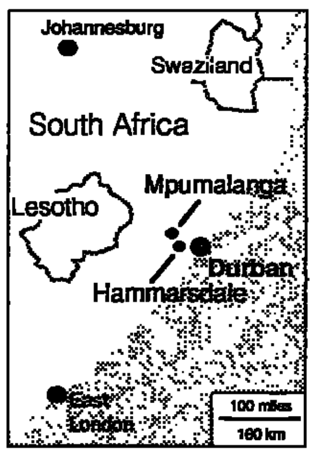
Patti Waldmeir on how white business brokered a surprising peace

AFTER FIVE years of war and 2,500 deaths, there is peace in Mpumalanga. That, in itself, is odd enough: for until a year ago, murder was a daily reality in this township of 200,000 people, where fire-bombed houses cling to the steep hillsides of South Africa's KwaZulu black "homeland".

But what makes the Mpumalanga peace odder still is the fact that it was arranged largely by local white businessmen. For doing business in the new South Africa increasingly means taking an active role in politics. On a local level, that can involve separating warring black factions, and nudging them towards peace: chairing meetings between rivals, intervening with the police, providing community development funds.

Nationally, business (which is overwhelmingly white) has played an even more prominent role. Jointly with the churches, businessmen have brokered a peace deal between South Africa's three main belligerents: the Zulu Inkatha Freedom Party, the African National Congress and the government. With its frank commitment to liberal values and freedoms, the accord holds out the best hope yet of a tolerant and democratic post-apartheid South Africa.

Time will tell whether the top-level pact signed last weekend by those three and other political groups will be respected in the tortured townships of Natal. Those concerned with Mpumalanga did not wait for a lead from the top, however. By October 1989, life in the township had become intolerable: supporters of Inkatha, which broadly represented the traditional Zulu tribal order, fought adherents of the anti-apartheid United Democratic Front (UDF), a front organisation for the ANC, which was then outlawed.



"Mpumalanga was so bad," says Mr Roger Sishi, mayor of the township. "You knew who was responsible for murders and you could do nothing about it." Political principles had nothing to do with it, he believes, arguing that most of those involved did not know that Inkatha supported free enterprise and the UDF socialism. They were interested only in power and territory, he believes, pointing out that Inkatha supporters were under siege: the UDF controlled the schools, and the small commercial centre of the township, along with the post office. Travel between UDF and Inkatha wards was impossible.

But Mpumalanga, unlike many nearby townships, could count on two groups with an interest in stability: the trade unions, and employers from the nearby Hammarsdale industrial area. In October 1989 the unionists invited their employers to intervene, and though white business had traditionally been happy to ignore "black-on-black" violence, industry was suffering heavy production losses from high absenteeism, resignations, low morale and low productivity. The Natal Chamber of Industry estimates that two violence-related work stayaways in April and July 1990 alone cost the province some R200m (£41m) in lost production.

The fact that white business was called on to mediate in black conflict is one of the ironies of the new South Africa, for Hammarsdale's industries are a monument to the grand design of apartheid. They were set up, as apartheid decreed, on the border between white South Africa and black KwaZulu; the aim was to keep blacks out of South Africa, by providing work for them near their tribal homelands.

None the less, the blacks of Mpumalanga turned to whites because they had the resources to facilitate a deal, had influence with the police – and because white business was the closest thing to a neutral party in the conflict.

So Hammarsdale's industrialists went into the township and collected black leaders from both sides. They told them, separately, that they would shut their factories unless the violence stopped. In December 1989, they brought the two sides together. After a few hours, Inkatha and the UDF signed a ceasefire, at a meeting chaired by the white personnel manager of SA Nylon Spinners, one of 12 big companies in Hammarsdale.

A spokesman for Hammarsdale businessmen, who asked not to be named, says collective exhaustion played a part in forcing a settlement: "When we got the peace initiative signed was right at the pinnacle of the violence, everybody had had enough." He concedes that the role of the army may also have been crucial: only days after the accord was signed, in an apparently unrelated development troops replaced police in the township. The removal of allegedly biased police did much to restore calm.

In the months that followed, the ceasefire was broken several times; but for nearly a year now, the murders have stopped. "Now the youngsters are playing soccer together; before, youths were shot moving from one area to another," says the Hammarsdale spokesman. And the local ANC leader, Mr Meshack Radebe, says proudly that he often stays up late socialising with the Inkatha leader, Mr Sipho Mlaba.

But everyone agrees that little has yet been done to treat the socio-economic causes of violence in Mpumalanga – and that peace will fail unless it is seen to bring development. Business has endorsed a R12.9m development plan for the township, involving rebuilding damaged houses and schools, providing community centres and sport facilities. Funding has been arranged, but spending has been delayed over the establishment of a community trust to control the funds.

Mr Radebe of the ANC surveys the broken roofs and blackened walls of the township, and declares that "peace will last forever".

Others are not so sure. Mpumalanga will still be left with an unemployment problem of massive proportions: Hammarsdale industry can employ 12,000 to 13,000 people at full capacity, while the current population of the township and surrounding areas is more than 200,000. The development programme will not significantly alter that.

Japanese bank chief arrested

By Stefan Wagstyl in Tokyo

MR Hiroshi Minamino, the former chairman of Osaka Fumin Shinyo Kumiai, a small bank in Osaka, has become the latest person to be arrested by Japanese public prosecutors investigating Itoman, a trading company which was taken to the brink of collapse through speculative investments in art and property.

The affair rocked the banking community last year and led to the resignation of Mr Ichiro Isoda, the chairman of Sumitomo Bank, Itoman's main bank.

Seoul suspends French bank

By John Ridding in Seoul

THE South Korean government yesterday ordered the Seoul branch of Banque Indosuez, the French bank, to suspend foreign exchange dealings for a week as a penalty for alleged irregular foreign exchange transactions.

This is the first time that such action has been taken against a foreign bank in South Korea. The Office of Bank Supervision said it was conducting investigations into the foreign exchange dealings of other foreign banks in Seoul.

A statement by the Ministry of Finance and the Bank of Korea, the central bank, said that the Seoul branch of the French bank had made profits of about Won61.1bn (£50m) through foreign exchange dealings with other Asian branches and had lent the proceeds to Korean companies.

According to the Office of Bank Supervision, the dealings breached regulations which control the flows of foreign exchange into Korea. Mr Jean Mallet, Seoul branch manager of Banque Indosuez, said last week that "in conducting the transactions in question the bank was not aware that the Bank of Korea objected to these transactions".

Elections to be held in Punjab

INDIA'S minority government promised opposition parties yesterday that it would hold polls in Punjab, as another 19 killings in Sikh separatist violence were reported in the state, Reuter reports from New Delhi.

Mr S B Chavan, home minister, speaking after the government voted through legislation to annul polling set for September 27, told parliament he would announce new dates today.

Police have reported more than 4,100 killings in Punjab this year.

AMERICAN NEWS

Senators grill Gates over Iran-Contra

By Lionel Barber in Washington

MR ROBERT GATES, who is President George Bush's nominee as CIA director, yesterday faced a torrid interrogation from Democratic senators who called him a "hear no evil, see no evil bureaucrat".

Mr Gates was accused of turning a blind-eye to the Iran-Contra arms-for-hostages scandal. He also faced tough questions as to whether he had overstated the Soviet military threat to justify the 1980s defence build-up under President Reagan.

The sharp cross-examination on the second day of Mr Gates' confirmation hearings before the Senate intelligence committee marked a break with the opening session, where Mr Gates shielded himself through his admission of poor judgment in his handling of the Iran-Contra affair.

Mr Gates' tone of contrition contrasted with a more aggressive denial of wrong-doing in 1987, when he was forced to withdraw his nomination as CIA director to succeed Mr William Casey.

Under interrogation from Senator Howard Metzenbaum, the liberal Democrat from Ohio, Mr Gates momentarily lost some of his early composure. After listening to Mr Metzenbaum's complaints that he should have done more to expose the Iran-Contra scandal, Mr Gates declared: "Well, Senator, with all due respect, I think I did take action."

Mr Metzenbaum, who is leading opposition to the nomination, said Mr Gates was a man "who didn't want to know". At one point, he said: "It's just impossible to believe that this man was so close to what was going on and he didn't know. It's just not credible."

Mr Gates served as deputy director of intelligence and deputy director of the CIA between 1984 and 1989, before moving to the White House as deputy national security adviser to President Bush. Mr Bush this week repeated his praise for Mr Gates.

A key indicator of how Mr Gates is faring should come later this week when several CIA officers testify on what he may have known about the Iran-Contra affair. Yesterday, however, a senior Democratic aide to the committee suggested that members "did not have the stomach" to fight the Iran-Contra affair again.

Canadians to close their two military bases in Germany

Canada is to close its two military bases in Germany as part of a 10 per cent cut in its armed forces, Bernard Simon reports in Toronto. Mr Marcel Masse, the defence minister, told parliament yesterday that the two bases, at Lahr and Baden Söllingen, will be shut over the next four years. About 6,600 Canadian troops and a civilian workforce of 4,400 are currently stationed there.

Mr Masse said that Canada will keep 1,100 troops in Germany to serve on the Nato rapid deployment force. In addition, Ottawa will make available to Nato one brigade and two CF-18 fighter squadrons based in Canada.

Montserrat government falls

A row between the chief minister and his deputy over the weight of imported galvanised zinc sheets has caused the collapse of the government on the British Caribbean colony of Montserrat, Canute James reports from Kingston.

The resignation of Mr Benjamin Chalmers, the deputy chief minister and the works and communications minister, robbed the administration of Mr John Osbourne of its one seat majority.

Brazilian state sell-offs in balance

By Christina Lamb
in Rio de Janeiro

THE future of Brazil's long-awaited privatisation programme hangs in the balance this week as Congress debates whether to act on an eleventh-hour recommendation by the attorney general to suspend next Tuesday's planned sale of Usiminas, the country's largest steel mill.

Mr Aristides Junqueiro has recommended the suspension on the grounds that President Fernando Collor exceeded his powers by allowing foreign debt to be used as payment in the sell-offs.

According to Mr Junqueiro, a presidential decree qualifying Multi Year Deposit Facility Agreements (DFAs), matured debt held at the central bank, *as eligible currency was illegal.* Under the constitution, Congress has until the end of this week to decide what to do.

This is the most serious in a series of legal and technical hitches that have thwarted the Usiminas sale which was originally planned for June 1990. The attorney general has recommended that if the sale proceeds the only eligible currency should be privatisation certificates (CPs), which financial institutions were forced to buy last year, and blocked cruzados, frozen in an assets squeeze last year.

Mr Eduardo Modiano, head of the programme, says this would either impede the sale or reduce the price to a non-viable level far below the hoped for \$3bn or even the minimum price of \$1.8bn as there is only \$300m available in CPs.

All proceeds from the sell-offs must go to reducing Brazil's foreign debt and the \$45bn (£26.6bn) in DFAs held at the central bank were expected to be the main currency bidding.

The price of Brazilian debt on the secondary market fell sharply as a result of the attorney general's recommendation.

Mr Modiano is currently in Brasilia lobbying congressmen and warning that a suspension of the Usiminas sale could jeopardise the privatisation programme.

Peru's children feed from capitalist pot

Sally Bowen on Lima's champion of business trying to tackle urban starvation

MR BERNARDO Wagner, managing director, has a new job. He is constructing a massive "cooking pot" to feed 400,000 malnourished children a day in Lima. It is Peru's most ambitious feeding project.

The twin, stainless steel "reactors", bakery and 1,200 sq m storehouse, on a donated site in Lima's southern suburb of Chorrillos, mean an investment of around \$750,000 (£444,000). Most of the bill has been footed by Mr Wagner's parent company, H.B. Fuller of Minnesota.

"This is a message from a North American company that believes in the free market," he says. "I'm a capitalist, but the kind of capitalism we have here in Peru is barbaric. The market economy can't solve everything."

When the incoming government of Mr Alberto Fujimori took sudden and drastic economic stabilisation measures *last August, Lima's ever-hungry* poor faced overnight food price rises of 400-500 per cent. Mr Wagner was moved by the plight of those living close to Fuller's Lima plant which produces industrial glue.

He turned the company's kitchen over to serving free breakfasts to allcomers. "The first day, 500 people came, a couple of days later there were thousands," he recalls. With demand for the H.B. Fuller product sharply down at the same time, he had the brainwave of converting one of the huge glue-mixers into a "giant pot" to produce a basic but nutritious porridge.

Mr Wagner's businessman's eye for costs makes for an approach to feeding which differs radically from that of traditional international aid programmes. "It's the cost per ounce of protein that interests *me," he says. By importing* soya from Bolivia, he has reduced the cost of a 15-gram helping of porridge to under five cents. The new 30-ton capacity reactors will allow economies of scale to cut that even further.

The Paris Club of creditor governments has agreed to a rescheduling of Peru's debt to foreign governments, thus completing another stage in the Peruvian government's bid to normalise its relations with foreign creditors, our Foreign Staff report.

Peru owes \$6bn (£3.5bn) out of its total international debt of \$20bn (£11.8bn) to foreign governments under bi-lateral agreements. The agreement will stretch out repayments for development loans over 20 years.

The standard ration contains all the essential nutritional requirements for children under six, at whom Mr Wagner's programme is aimed. "If we can't provide adequate nutrition for our infants, we're bringing up a retarded generation which is ultimately unemployable," he says.

The test programme has been feeding 10,000 children under six daily for the past year. The food lorry's arrival in Huaycan, one of Lima's newest and most impoverished shanty-towns, is the event of the day.

"The food is a godsend," says *Agapita, who, like many of Huaycan's inhabitants, is a* recent refugee from the guerrilla violence of the Peruvian Andes. Her husband, a peasant farmer who had joined the village civil defence squad, was killed by Maoist Shining Path terrorists 18 months ago.

> 'Businessmen are uniquely equipped to solve problems like this. They have the technology, the organisation and the capital – all they lack is the humanity'

Juana has no support from relatives, no employment except as an occasional laundress. There is no social security and she and her five young children literally survive hand-to-mouth.

So far, a handful of local companies have chipped in with contributions to the project and Peru's largest corporation, US-owned Southern Peru Copper, is to finance the \$50,000 (£29,600) bakery. But persuading fellow businessmen to support his project has been an uphill struggle for Mr Wagner.

He has also run up against *different approaches* byinternational relief agencies, such as Caritas, Care and Prisma, through which the bulk of US food aid is channeled.

These agencies distribute food to "community kitchens" where local women communally purchase, cook and serve meals. "The idea of a lorry coming in and dishing out food is completely inimical to all the values of self-help and community effort we are trying to promote," said one aid worker.

Mr Wagner disagrees. "We're talking about basic survival," he says. The first priority is to feed, the second to do it in a socially acceptable way."

He is receiving some assistance from the US Agency for International Development which has approved a \$50,000 (£29,600) grant to roof the storehouse. As USAID officer George Baldino says, "Let's respect both approaches to feeding. An idea like Mr Wagner's could complement community kitchens without destroying what they have achieved."

Other detractors say this is a job for the government, but Mr Wagner believes the business community should take the initiative. "The government has so many problems and so few resources," he argues. "Businessmen are uniquely equipped to solve problems like this. They have the technology, the organisation and the capital – all they lack is the humanity."

Small rise in US production raises doubts over recovery

By Michael Prowse in Washington

THE smallest rise in US industrial production since April yesterday raised fresh doubts about the momentum of the US economic recovery.

The Commerce Department said production rose 0.3 per cent in August, less than financial markets expected. Figures for June and July, however, were revised up to show increases of 0.8 per cent and 0.6 per cent. The partial recovery *since April leaves production 2* per cent lower than in August last year.

Retrenchment in the motor industry – the sector that led the industrial recovery – accounted for most of the deceleration in industrial growth. Output of cars and trucks fell more than 9 per cent last month after sharp increases in the previous five months. Excluding the motor industry, production rose 0.5 per cent.

The lacklustre production figures follow other disappointing statistics, including a 0.7 per cent decline in retail sales in August – the worst figures for seven months – persistent weakness of employment, and a decline in sales of new homes. On Friday, the Federal Reserve cut the discount rate by half a point to 5 per cent to bolster the flagging recovery.

A majority of economists believes a sluggish recovery is still under way. The latest Blue Chip consensus forecast predicts growth at an annual rate of 2.9 per cent in the second half of this year. This compares with average growth of more than 6 per cent in the first year of previous recoveries.

But anxiety about the durability of the recovery has grown, partly because of abnormally weak monetary growth.

● The US House of Representatives yesterday moved towards a clash with President George Bush by approving a \$6bn (£3.5bn) bill on unemployment benefits, George Graham writes.

The administration rejects the bill as a breach of the budget agreement but yesterday's House vote was by a wide enough margin to override a presidential veto.

Argentine budget sent for Congress debate

By John Barham in Buenos Aires

FOR the first time in 27 years, a democratic Argentine government has sent its draft budget to Congress for approval on time. However, independent observers say it is significant more for its symbolic value than for the figures it contains.

As one diplomat commented, the budget shows that the administration "is serious about going through the political exercise of drafting a budget and sending it to Congress for debate".

The draft budget forecasts a 28 per cent increase in revenues to \$17.45bn and an 8.6 per cent rise in spending to \$18bn (£10.6bn), leaving a deficit of \$570m, compared with this year's expected deficit of \$2.94bn.

The government forecasts economic growth of 6.5 per cent in 1992 and plans to maintain a fixed exchange rate for the peso, the new currency to be introduced in January. It also intends to maintain a freeze on public sector pay and on prices at public enterprises.

However, diplomats warned that some of the macroeconomic assumptions built into the budget were subject to change. They said the public sector was undergoing far-reaching reform and negotiations were just beginning on a comprehensive debt reduction programme.

Argentina hopes to have a debt reduction mechanism in place in 1992. The country's debt stood at \$61bn at the end of 1990, including \$7bn in interest arrears.

WORLD TRADE NEWS

Renault chief in warning over Japanese cars pact

By **David Buchan** in Brussels

THE recent transitional accord limiting Japanese car sales in the EC will fall apart if EC states vie with each other to attract Japanese factories, or if the EC competition directorate interferes with existing dealership practices in Europe, the head of Renault said yesterday.

Speaking as president of ACEA, the European carmakers group, Mr Raymond Levy said "all EC states should act together, and not run after the Japanese and beg them to set up factories" in the Community.

Otherwise, the Community would have to revise what Mr Levy called its "working hypothesis" that manufacture of Japanese-brand cars in the EC would rise from 260,000 last year to no more than 1.2m a year by 1999. That is the end of the transition, designed to allow EC car makers to adjust to full Japanese competition from the year 2000 on.

Addressing a special European Parliament hearing on EC-Japanese relations, Mr Levy also warned the Commission against making "any brutal change" in its competition rules that would "break up the selective distribution system and open the doors to all Japanese cars".

Within the overall import quota for the EC market as a whole – set out in the July 31 agreement between Brussels and Tokyo – are five sub-quotas for hitherto-protected national markets, including the UK. Policing this complex arrangement depends crucially on Japanese car makers being able to continue to select which distributor serves which part of EC territory.

In fact, the Commission's July 31 statement declared that it would not use competition law to obstruct the working of the car accord. But EC car makers have a 10-year anti-trust exemption that runs out in 1995. European and UK consumer organisations this week jointly complained to Sir Leon Brittan, the competition commissioner, that the import of Japanese cars into the UK was rigged in a way that was illegal under EC rules.

The Japanese car import agreement came under opposing cross-fire at the European Parliament's hearings. The German federation of industry said it was protectionist and would only push the range of Japanese cars in Europe "up market", while Mr Clyde Prestowitz, a former senior US trade negotiator, predicted "it will ultimately collapse" because it was so "open to differing interpretation".

Canada boosts Iran's export credits

By **Bernard Simon** in Toronto

CANADA is bolstering its fast-growing trade links with Iran by offering a C$1bn (£507m) export credit and insurance package.

The Export Development Corporation in Ottawa has signed a memorandum of understanding to set up a C$500m five-year line of credit with the Central Bank of Iran. It is also extending C$500m of short-term credit insurance for Canadian exports to Iran. The line of credit will be mainly for capital goods.

Mr Michael Wilson, Canada's trade minister, visited Tehran last weekend with a group of 20 Canadian exporters. The Canadian companies are interested, among other things, in supplying farm machinery and urban transport equipment, as well as goods and services for the oil industry.

Mr Wilson said that Iran could become a centre for joint ventures selling industrial products throughout the Gulf region. He also discussed with Iranian ministers the establishment of air links between Iran and Canada, transfer of technology, and sending more Iranian students to Canadian universities.

Relations between Ottawa and Tehran were cool for most of the 1980s, after the key role played by the Canadian embassy in Tehran in setting up the escape of three US diplomats held hostage in the American embassy in 1979-80. Canada reopened its embassy in July 1988. Canadian exports to Iran ballooned to C$203m in the first half of this year, from C$121.4m in January-June 1990 and only C$22.5m a year earlier. Imports have also risen sharply, but still totalled a meagre C$13.6m in the first six months of 1991.

Venezuela secures petrochemical financing

FINANCING for three new petrochemical plants in Venezuela has been completed with the help of equity and loan investments by the International Finance Corporation (IFC), the World Bank affiliate which concentrates on developing the private sector, writes Stephen Fidler.

The three projects comprise a $549m investment programme all of which include Grupo Zuliano, a publicly-quoted company based in Maracaibo, with investments in three existing chemical plants.

An IFC official said yesterday that further projects are under discussion, including a methanol plant with Mitsubishi of Japan and Pequiven, the state-owned petrochemicals concern, as shareholders.

The Venezuelan government has over the last two years given fresh momentum to the development of such "downstream" petrochemical projects, which it intends to be majority owned by the private sector. Upstream projects remain for the present the preserve of state-owned companies. Zuliano has invested $49m of equity in the three plants with the help of a $13m equity investment in Zuliano, the IFC said.

The most advanced is a $127m polypropylene plant with annual production capacity of 70,000 tonnes, which is in its start-up phase.

Turks opt for Texas Instruments

By **John Murray Brown** in Ankara

TEXAS Instruments (TI) of the US has won a $85m contract to produce electronic night-sighting equipment for the Turkish army, beating competition from Marconi of the UK, and opening the way to supply a whole generation of electronic sub-systems to the Turks.

The deal signed in Ankara yesterday between Mr Robert Clark of TI and Aselsan, the state-owned military electronics company, establishes TI as the leading supplier at a time when the Turkish army is investing large sums to upgrade its electronic technology.

Under the deal, TI will manufacture 650 thermal image units at a plant at Akyurt for armoured vehicles, manufactured under joint venture by FMC of the US.

Defence analysts say TI is now well placed to supply equipment for the forthcoming $2bn helicopter contract – Sikorsky of the US, with its Black Hawk, is favourite – and for the project to modify Turkey's fleet of 600 M113 armoured personnel carriers.

The contract is the first signed this year by SSM, the state procurement agency. It includes a $19m offset agreement with Aselsan. In addition TI will export equipment worth $26m. Marconi had seemed well placed to win the contract having earlier supplied equipment for the first 100 FMC vehicles shipped from Belgium.

However SSM has since been in dispute with the Turkish army, with the army refusing to take delivery of the FMC vehicles, complaining about night-sighting capability and the performance of the 260 horse power engine supplied by Detroit Diesel.

Taiwan-Soviet barter deal

A Taiwanese business group signed barter trade agreements together worth more than $200m with two counterparts from the Soviet Union, writes Peter Wickenden in Taipei. In one deal the Soviet-Far East Foundation agreed to ship consumer goods, machinery and computer equipment worth $11.5m in exchange for 150,000 cubic meters of Soviet timber.

Greek wind power plants to go ahead

By **Kerin Hope** in Athens

DEH, the Greek Public Power Corporation, has approved wind energy projects on five Aegean islands at a total cost of Dr5.1bn (£15.4m) in its first serious effort to develop wind power generation on a commercial scale.

DEH has already signed a contract with HMZ, the Belgian wind generator manufacturer, and Biokat, the Greek construction company, for a 5.1-megawatt Aeolian farm on the island of Euboea. It will be the largest wind park in the Mediterranean.

The EC will cover 55 per cent of the Dr1.62bn cost. The plant, with 17 wind generators linked to the national grid, is due to start operating in July 1992. Another contract worth Dr3.5bn is to be signed with Vestas of Denmark for equipment, and Rokas, another Greek construction company, for four smaller units in the Cyclades and east Aegean islands.

The plants, ranging in capacity from 1.5 to 2.5MW, will cover 10 per cent of the islands' energy requirements.

French farmers stand in the way of rich harvest

Time running out for Uruguay Round as EC farm reform gathers political momentum, writes **William Dullforce**

DEMONSTRATIONS by angry French farmers forced President Francois Mitterrand and his budget minister to cancel visits to the provinces last weekend. The farmers will descend en masse on Paris on September 29 to protest against reductions in the prices they receive for their produce. Many of them see these as a prelude to further threats to their current way of life likely to emanate from reform of the European Community's Common Agricultural Policy.

Trade ministers of the so-called Quadrilateral Group – the EC, the US, Canada and Japan – who met in the French town of Angers on Friday and Saturday to discuss how to complete the stalled Uruguay Round of multilateral trade liberalising talks – cannot have ignored the passions aroused among farmers in their host country.

Yet a breakthrough on the liberalisation of world farm trade remains the key to a successful conclusion of the trade talks. That breakthrough cannot occur without a convincing change of attitude by the EC which in turn depends on France, the EC's biggest farm producer, allowing the Community to proceed with a radical reform of its agricultural policy.

The link between the protesting French farmers, who frighten Mr Mitterrand, and the future of the world trading system is a political reality. It is causing considerable dismay in Geneva this week as trade negotiators from more than 100 countries resumed the most ambitious trade liberalising exercise ever undertaken under the General Agreement on Tariffs and Trade (Gatt) – an exercise which has already lasted 4½ years and was nearly scuttled by the farm issue at the meeting of world trade ministers in Brussels last December.

Mr Edward Madigan, the US agriculture secretary, predicted settlement of a dispute over American meat exports in a meeting yesterday with Mr Ray MacSharry, the EC farm commissioner, writes Nancy Dunne in Washington.

Although the two were to discuss a wide range of bilateral issues and the Uruguay Round, Mr Madigan was most "optimistic" that Mr MacSharry would agree to "re-list" US pork processing plants banned last year from the EC market.

The US meat industry last year lost a $10m-a-year market when the EC banned pork and beef shipments from plants deemed not up to Community sanitary standards.

The powerful Quadrilateral Group have agreed to send their chief trade negotiators to Geneva next week for a concerted attack on unresolved issues blocking new international agreements that would liberalise the $770bn-a-year world trade in services, strengthen intellectual property rights, reinforce Gatt rules and meet Gatt's traditional concern to lower barriers. Stationing top negotiators in Geneva on a semi-permanent basis provides the first overt indication that the leaders of the Group of Seven industrialised countries are acting to meet the pledge they gave at their summit in London in July to end the Uruguay Round successfully by the end of this year.

At Angers, ministers agreed again on the urgency of finishing the Round. Failure would be a catastrophe for the world, Mr Frans Andriessen, EC trade commissioner, said. Another senior EC official said: "We all know we will be in a big mess if we do not have a firmly structured Gatt to handle trade issues, when we start integrating the east European countries and perhaps even parts of the former Soviet Union, such as Ukraine and Georgia."

A window of opportunity exists, extending at most to the first few months of 1992, before the US presidential election campaign and the revamping of the European Commission.

However, while the four chief negotiators – Mr Hugo Paemen (EC), Mr Warren Lavorel (US), Mr Germain Denis (Canada) and Mr Minoru Endo (Japan) – may be able to iron out differences in many other areas, they are in no position to take the political decisions needed to break the deadlock over farm reform.

From March onwards, after the EC had agreed to negotiate a deal that would reduce subsidies and assistance to farmers in each of three areas – internal supports, border protection and export subsidies – talks in Geneva have concentrated on "instruments" clarifying the technical options for fulfilling this programme rather than on "numbers". The wide gap between demands from the US and the 14 farm-exporting nations in the Cairns Group – cuts of 75 per cent in internal supports and border barriers and 90 per cent in export subsidies and the EC offer of a highly restricted 30 per cent reduction – has been ignored.

These technical talks resumed on Monday. As it has done since the start of the Round, success depends on the EC coming up with a plan from proposals by Mr Ray MacSharry, the farm commissioner, to reform the agricultural regime that is politically credible to other countries.

EC farm ministers will consider the plan next week; with a massive farmers' demonstration in the offing nobody expects the French government to drop its objections and the French are not alone in opposing the MacSharry plan. The Dutch, who currently hold the EC presidency, are trying to arrange an informal farm ministers' meeting early in October; the next formal farm council would be in the week beginning October 21. Some Dutch officials believe that only the calling of an extraordinary meeting of EC heads of government in November could secure enough consensus on CAP reform to enable the EC to negotiate a farm deal in the Gatt talks.This leaves Mr Arthur Dunkel, Gatt's director-general, in the hot seat.

But Mr Dunkel can have only one try and must get it right first time. The latest word is that he is not likely to make his move before November. No wonder that at the end of the meeting in Angers Mrs Carla Hills, US Trade Representative, worried about time running out.

UK NEWS

MOTOR INDUSTRY: ROVER GROUP

'New Deal' to match Japanese

By Kevin Done, Motor Industry Correspondent

ROVER Group is seeking radical changes in working practices among its 35,000-strong UK workforce in order to meet the rising wave of competition from the Japanese car plants being established in the UK and elsewhere in Europe.

Its proposals effectively challenge the trade unions to agree to reforms that would grant Rover the same conditions and flexiblity that are already being conceded to Japanese car makers.

The reform package, entitled "Rover Tomorrow – The New Deal", was presented to the company's eight unions on Monday and is expected to play a critical role in the UK car maker's ability to survive in the 1990s.

Rover, the leading UK car maker, which is owned 80 per cent by British Aerospace and 20 per cent by Honda of Japan, is already facing severe financial pressure in the face of the UK recession and plunged into a £45m trading loss in the first half of 1991.

The Rover initiative comes as Toyota, Japan's leading car maker, is engaged in intense negotiations with five British unions over a single union deal for its £840m car assembly and engine plants now under development on two sites, near Derby and on Deeside.

Rover said yesterday that it should be able to benefit from "the sort of agreements being struck for 'greenfield site' plants". Earlier this month the Trades Union Congress passed a controversial motion condemning the "alien approach to trade union organisation" of some Japanese companies investing in the UK.

Individual unions are competing fiercely to represent workers at the Japanese transplants, however, and they have already conceded some of the conditions, now being sought by Rover, at some existing UK vehicle plants such as the IBC Vehicles plant at Luton, a 60/40 joint venture between General Motors of the US and Isuzu of Japan, and at the Ellesmere Port assembly plant of Vauxhall, the UK subsidiary of GM.

The focus of Japanese expansion in the world motor industry is currently moving rapidly from North America to Europe.

Mr Rob Meakin, Rover personnel director, warned that the package of labour reforms was vital if Rover was to be able to compete with the Japanese in Europe.

Competition is motor for change

Kevin Done looks at the harsh climate within the European market

THE package of far-reaching reforms in working practices proposed yesterday by Rover, the leading UK car maker, bears stark testament to the harsh competitive pressures the European motor industry is facing in the 1990s, as Japanese car makers establish their first wave of European manufacturing plants.

The three leading Japanese car producers Toyota, Nissan and Honda, have all chosen the UK as the location for their first European car plants, which puts the existing UK car makers in the front-line of the Japanese assault on Europe.

In preparing the reform proposals and in determining the benchmarks for worldwide competitive standards, Rover has been able to draw heavily on its existing close co-operation with Honda, the Japanese car maker, which already owns a 20 per cent cent stake in the Rover vehicle operations, and for which Rover currently produces cars (the Honda Concerto).

At the same time Rover, like most other European car makers, has also studied with a rising sense of trepidation, the performance of the Nissan plant at Sunderland in north-east England, the first Japanese car plant to be established in Europe, and of the Japanese transplants in the US.

Rover said yesterday that it was now achieving a level of 22.5 hours per car at its Longbridge plant, compared with the best levels of 16.8 hours per car in Japan. That is good by general European standards, but the Japanese are hardly standing still.

Mr Ian Gibson, managing director of Nissan's UK plant claimed last week that the Sunderland operation was now achieving levels below 15 hours per car. "We are the best in Europe in labour productivity. We are as good as the equivalent Japanese plant and a bit ahead of the US."

To compete Rover is proposing a package of reforms including measures to:

● move towards a form of no disruption deal. Rover is suggesting that if any grievance or dispute cannot be resolved in the full company/trades union procedure, it should be referred – if both parties agree – to binding arbitration. ● all negotiations/consultations would be conducted on "a joint trades union basis. A single company council representing all trades unions and employees will be established."

● Rover will become a single status company. Clocking in would be phased out. All remaining distinctions between staff and hourly-paid would be removed and all employees would be paid by monthly credit transfer.

● a single grade structure would eventually be introduced. In an interim step the current five grade "hourly paid structure would be progressively replaced by a scheme with only two levels of occupational classification.

The six grade staff structure would be replaced by a scheme with fewer levels.

● continuous improvement would be a requirement for everyone aimed at the elimination of waste, increased efficiency and reduced manpower.

● full "flexibility related to work procedure and between jobs, areas and all categories of employees will be the norm."

● the use of temporary employees will be considered for seasonal and short-term peaks in production.

● there will be a maximum devolution of responsibility to employees and to teams to be responsible for areas such as quality, routine maintenance, work allocation, job rotation and material control.

TIME for tea: Neil Kinnock, Labour leader, relaxes with Dr John Cunningham, general election campaign organiser

Respite for Labour in latest opinion poll

By Philip Stephens and Ivo Dawnay

AN opinion poll putting the Conservatives and Labour neck-and-neck yesterday took the froth off recent speculation that Mr John Major plans an early general election.

Ministers continued to insist that the prime minister would probably delay until next year, but it emerged that Tory strategists have intensified contingency planning for an autumn election if the opportunity presented itself.

For Mr Neil Kinnock, the poll provided a welcome, if only partial, respite after a spate of surveys pointing to a widening government lead. Speaking after an all-day strategy meeting of the shadow cabinet, the Labour leader said there was "no possibility" that Mr Major would be able to sustain a stable or dependable lead in the polls.

The latest survey, conducted by ICM for today's Guardian newspaper, puts Labour and Conservative support at 39 per cent with the Liberal Democrats at 17 per cent.

In one respect it confirms the recent strong improvement in the government's position because the previous Guardian/ICM poll a month ago gave Labour a 9-point lead with 45 per cent against the Conservatives' 36 per cent. The results, however, contrast sharply with the 4 to 5 point lead for the Conservatives indicated by two polls last weekend.

That will strengthen the conviction of Mr Chris Patten, the party chairman, and of most other cabinet ministers that, barring a surge in support for the government over the next 10 days, Mr Major will have to rule out an election this year.

Nevertheless Mr Patten has told the prime minister that if that surge were to materialise the party's election manifesto and campaign battleplan can be finalised early in October.

Conservative central office has also made contingency arrangements to take prime poster sites throughout the country through October. Mr Patten's "War Book" for the campaign already includes a detailed strategy to target resources in key marginal seats and on winning the support of blue-collar workers.

Mr Kinnock said Labour's private polling had shown that it had suffered no slippage since June on its "winning" issues of industry policy, training and education and health.

He went on to claim that any delay would act against the government as a consumption-led recovery laid the seeds for further inflation, as more hospitals and schools opted out of local control, and as poverty and decline continued to worsen.

Auditors face probe over BCCI

By Alan Friedman

US investigators are examining the relationship between Bank of Credit and Commerce International (BCCI) and Price Waterhouse, the bank's external auditor, in an attempt to ascertain whether any of the auditors had knowledge of falsified accounts that they failed to report in timely fashion.

Price Waterhouse, which has been co-operating closely with US and British central bank officials, has not been accused of any wrongdoing.

The accountancy firm has been criticised in the US Congress, however, for failing to detect the fraud at BCCI that has led to a series of US indictments of former BCCI top executives.

Mr Clark Clifford, former chairman of First American Bankshares – the Washington-based bank that according to the Federal Reserve was secretly controlled by BCCI through Sheikh Kamal Adham and other Middle Eastern frontmen – last week defended himself in part by attacking Price Waterhouse.

Mr Clifford, in testimony before the House banking committee, noted with irony that Price Waterhouse had approved BCCI accounts in 1987, 1988 and 1989 as "fair and true". The former First American chief – who is currently the subject of investigation by US prosecutors and bank regulators trying to determine whether he misled the Federal Reserve about BCCI's effective control of First American – also claimed that the Bank of England had been deceived by BCCI.

An aide to Senator John Kerry, the Massachusetts Democrat who since 1988 has led Congressional inquiries into the BCCI affair, said he was holding a series of meetings with Price Waterhouse in order to understand better the accountancy firm's relationship with the scandal-plagued bank.

Mr Kerry's office also disclosed yesterday that the Senator last week wrote to Sheikh Zayed bin Sultan al-Nayhan, the ruler of Abu Dhabi, which has majority control of BCCI, asking the sheikh to make available to the Senate high-ranking officers of BCCI who were arrested in Abu Dhabi last week.

The letter asked Sheikh Zayed to hand over Mr Swaleh Naqvi, former chief executive of BCCI, and Mr Saleem Saddiki, former head of BCCI's US operations, to testify in the US.

Mr Naqvi has been indicted twice in the US on BCCI charges; he was accused last July of fraud by a New York grand jury and indicted earlier this month in Tampa, Florida, on drug money laundering and racketeering charges.

It is understood that the US Department of Justice has begun – through diplomatic channels – to request that Mr Naqvi and others be sent to the US to stand trial.

Translink fined on safety

By Diane Summers

CONTRACTORS and equipment suppliers on the British end of the Channel tunnel project were yesterday fined a total of £42,000 and will be required to pay a total of £40,000 in costs after being convicted at Maidstone Crown Court of failing to ensure the safety of workers.

The charges were brought by the Health and Safety Executive after the death of Mr Gary Woodward, a 32-year-old miner from Sheffield, who was crushed on October 23 1989 as he bolted together two sections of rail in a tunnel boring machine.

The five contracting companies which trade as Translink Joint Venture, the British half of the Anglo-French consortium Transmanche Link are: Costain Civil Engineering, Tarmac Construction, Balfour Beatty Construction, Taylor Woodrow Construction and Wimpey Major Projects.

Translink Joint Venture admitted a charge under the Health and Safety at Work act 1974 that it failed to ensure the safety of employees including Mr Woodward. Each of the five contracting companies were fined £6,000 and ordered to pay costs of over £5,300 each.

Markham and Co and Robbins & Co (UK), which trade as Robbins Markham Joint Venture, admitted a charge of failing to provide a boring machine in such a way as to ensure workers were not exposed to risks to their safety. The two equipment suppliers were also fined £6,000 each and were each ordered to pay just under £7,000 in costs.

It is the fourth time that Translink Joint Venture has been fined over health and safety issues during the construction of the tunnel and a number of other cases being brought by the Health and Safety Executive are still outstanding.

In March last year fines of £10,000 plus costs were imposed on each of the five companies on a charge arising from investigations into the death of Mr David Simes, a maintenance worker. In July 1988 fines of £1,750 each plus costs were imposed on three charges after four empty rail waggons broke free. In 1988 fines of £4,000 each plus costs were imposed on two charges involving the storage of bottled gas. No one was injured in these last two incidents.

● Vocational training is to be investigated by the Equal Opportunities Commission, writes Lisa Wood.

Ms Joanne Foster, EOC chair, said the findings of an EOC survey, published next month, and those of a recent survey by the Policy Studies Institute showed again that decisions about training were influenced by stereotyped attitudes of what constituted women's work and men's work.

BRITAIN IN BRIEF

International applicants for generator

Thirteen international companies have expressed an interest in owning generating capacity in Northern Ireland's electricity industry.

The list includes a management-employee buy-out team, several UK utilities and a number of American companies. They have received the information memorandum setting the detailed terms of privatisation and are being invited to proceed to the bidding stage.

Mr Richard Needham, Ulster's Economy Minister, said the list of interested parties read like a "Who's Who" of the energy world and was a tribute to the province's economy.

The companies are vying for ownership of Ulster's four power stations. They are Belfast West, Coolkeeragh in Londonderry, Ballylumford at Larne, and Kilroot, near Carrickfergus, in County Antrim.

The full list of interested parties is: Applied Energy Services (UK subsidiary of US parent); British Gas (UK); Coastal Power (US); Dominion Energy (US); Endesa (Spain); Enron Corp (US)/Midlands Electricity (UK); IVO (Finland)/Yorkshire Electricity (UK); Management Employee Buy-out; Mission Energy Company (US); PowerGen (UK); Scottish Power(UK); Southern Electric International (UK); and Tractebell (Belgium).

Gas price cuts under attack

National Power, one of the UK's newly-privatised electricity generating companies, fiercely criticised British Gas' plans to cut supply prices to power companies as not going far enough. The generator says the planned price cut will not be enough to make gas-fired generators competitive with coal-fired plant.

British Gas' new schedule which cuts prices for power customers by three pence a therm, was announced yesterday following a six-month row over a previous price increase.

The new price opened the way for some 18 companies with planned power projects in the UK to begin negotiations over gas supply. But Mr Colin Webster, National Power's commercial director, said he believed none of the projects would be competitive with this price for gas.

UK companies improve liquidity

Large British companies improved their liquidity in the first half of this year, mainly because they raised funds through a rash of capital issues.

But Central Statistical Office figures showed that big companies as a whole continued to run their short term finances in deficit.

The CSO said that the liquidity ratio of large UK industrial and commercial companies improved to 72 per cent at the end of the second quarter from 65 per cent at the end of the first quarter and was well above its recent low point of 61 per cent in the third quarter of last year.

By the end of this year's second quarter, the companies surveyed by the CSO had a deficit of £13.9bn of short term liabilities over assets against £17.6bn three months earlier.

Nissho Iwai signs Soviet gas pact

Nissho Iwai Corp's British subsidiary has signed a cooperation agreement with the Soviet public gas company Surgutprom, which controls the Western Siberian Tyumeni natural gas fields, a company spokesman said.

The agreement will enable Surgutprom to import machinery and raw materials through Nissho Iwai U.K., and also receive advice from the Japanese-owned company on wider issues connected with introduction of a market economy, the Nissho spokesman said.

Public sector moves into red

Britain's public sector finances moved sharply into the red last month with the result that government borrowings in the first five months of 1991-92 already matched the target for the full financial year.

The Central Statistical Office said the public sector borrowing requirement (PSBR) or deficit in August was £1.85bn compared with a surplus of £1.04bn in July. The August deficit was twice the £918m deficit of August last year.

Last month's shortfall brought the cumulative borrowing requirement for April to August to £7.9bn, which was equal to the deficit expected for the whole of 1991-92 in the budget in March, and well above the £3.9bn cumulative deficit recorded by August last year.

However, Treasury officials said yesterday's figures did not indicate that Britain's public sector finances were lurching uncontrollably into the red.

Managers' pay drops sharply

Managers' pay increases dropped sharply to an average of 7.3 per cent during the three-month period May to July 1991. This compares with an average rise of 8.7 per cent for managers with pay review dates in the three months up to and including April this year, according to an independent survey of top salaries published today

The upper quarter of managers' salary increases showed a decline from 9.5 per cent in the earlier part of the year to 8.5 per cent for May to July; the bottom quarter of increases were down from 7.5 per cent to 6 per cent during the same period, found the survey.

The analysis of pay awards for managers and professional staff from over 150 organisations was carried out by the Top Pay Unit of the research group Incomes Data Services.

SNP set to back re-nationalisation

The Scottish National Party, which is lying third in the Scottish opinion polls, is this week expected to back a policy of re-nationalising the electricity, gas and public transport industries, as well as ending the sale of council houses.

This move to the left on economic policy is to be debated at the party's annual conference which begins today in Inverness. The renationalisation policy is aimed at wooing disenchanted Labour supporters to its side.

According to the latest ICM opinion poll support for the SNP in Scotland stands at 19 per cent, behind Labour with 43 per cent and the Conservatives with 25 per cent.

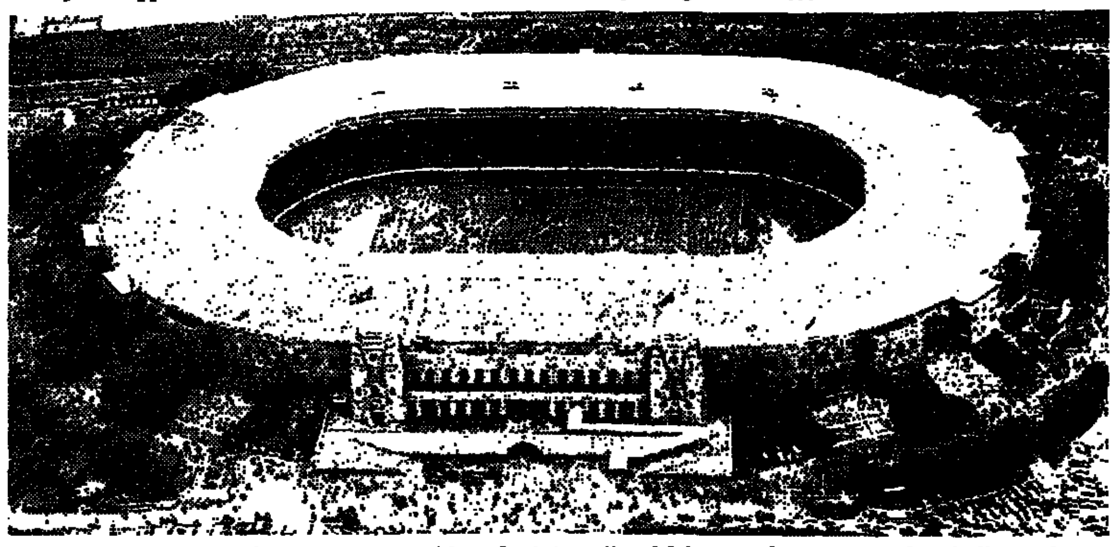
Voting rights urged in EC

Fixed-term parliaments, fewer MPs for over-represented areas and audited accounts from all political parties are among the wide-ranging electoral reforms proposed in a report published yesterday.

Other changes proposed include giving all European Community citizens resident in the UK for more than four years the right to vote in British elections.

It also advocates replacing the candidates' deposit with a requirement for 200 signatures in support, and establishing an Electoral Commission which would combine the electoral administration duties now carried out by the home office and local authorities with the functions of the existing Boundary Commissions.

The paper comes from the Hansard Society's Commission on Electoral Campaigns, chaired by Mr Christopher Chataway, the former Tory MP and minister. The Society is a non-party foundation: and the paper warns:"The nature of elections has changed radically over the last century, and a structure designed for a different era needs regular review if it is not to become obsolete."



THE TICKET agency and corporate hospitality interests of Keith Prowse, which was placed in receivership a week ago, have been *bought for an undisclosed sum by* Wembley, *the international leisure* group and owner of the national football stadium, pictured above. The deal with Grant Thornton, *Keith Prowse's receiver, means that corporate hospitality packages* for the Rugby World Cup and the golf Ryder Cup will be honoured. Other packages will be considered individually.

Man at the centre of the touch-button City revolution

By Richard Waters

MR JOHN WATSON is sitting at the centre of the City of London's biggest technological revolution since Big Bang. As the man responsible for building Taurus, the London Stock Exchange's paperless settlement system, it is his job to turn into reality a grandiose idea which has haunted the stock market for more than a decade. The aim: to remove all the paper from share trading, so that transactions can be completed at the touch of a button.

The enormity of the task has become all too apparent. Difficulties in devising a legal framework in which the ownership of companies can be transferred electronically, and constructing new investor protection arrangements, forced Taurus to miss its planned launch this autumn.

Then there were the systems problems. The exchange's attempt to write new software to enhance Talisman, its existing settlement system, has hit difficulties, forcing a two-month delay of one important step in the Taurus development.

This and other problems have forced Mr Watson to conclude that Taurus will not meet its revised target launch date next May. Judging by initial reactions, systems managers in more than 100 financial institutions, all of whom have been working to a tight deadline to be ready in time for the launch, are feeling a mixture of irritation and relief.

For someone in such an exposed position, Mr Watson is remarkably unflappable. No, he says, he wasn't over-ambitious in his original deadlines, and he didn't just pick the launch dates out of thin air – though they *were* meant to be ambitious.

Despite all the delays, the market is behind him. There is widespread, if grudging, support for Mr Watson in the securities industry, and a feeling that if he can't bring Taurus off the drawing board, nobody can. A management consultant from Coopers & Lybrand Deloitte who has been on secondment at the exchange for the past two years, it was he who knocked heads together at the end of 1989 to obtain agreement on a compromise design for the system.

Mr Watson has overcome considerable obstacles to get this far with Taurus, and is not likely to let a short delay get in his way now. In fact, he is one of those behind the original plan for the system, hatched as long ago as 1979.

At that time deputy chief executive of the Stock Exchange, he had been project manager on the then recently completed Talisman development. This system enabled market professionals to settle all their deals through a central nominee account, Sepon, saving them the task of settling each individual bargain with each counterparty they dealt with.

Taurus, the next step, would do away with the paper-based processing arrangements, and enable the stock market to move away from the peaks of settlement activity after each of its fortnightly trading "account" periods.

Nothing came of the plans. By 1983, with little headway made, an event of far greater significance shattered the Stock Exchange's calm: the deal between Sir Nicholas Goodison and the Office of Fair Trading that was to lead to Big Bang. Attention on new systems switched to the trading desks, and Taurus was forgotten. It was not until early 1988 – after the settlement backlog that clogged up most brokers' back offices in the City – that Taurus returned to the top of the agenda.

Ironically, Mr Watson appears at times to suggest that Taurus may not even be necessary. He points, for instance, to the £8bn backlog of unsettled share bargains in London at the time of the 1987 stock market crash. As share prices tumbled, securities firms were not left with huge losses due to the settlement delays. So why bother with more efficient settlement?

Because the securities industry has passed into the hands of banks, replies Mr Watson. Bankers are acutely aware of potential liabilities, even if those liabilities never eventually materialise.

Before banks took over the UK securities industry, he says, "it was the old club – you trusted the people you dealt with to deliver. That has all changed. In a larger market, you need new rules."

Unfortunately for Mr Watson, though, the stock market had changed greatly since the exchange first dreamt up Taurus. Rather than 2m private shareholders, there were now 10m – and consequently a far greater attention by the government to the issue of investor protection.

The exchange appears now to have felt its way through the political difficulties, and to have established a basic technical platform from which Taurus at last seems attainable – *although considerable work* still needs to be done. But was there not some better way to proceed from the outset?

Mr Watson remains committed to the City way of doing things – slowly, and with agreement from all those affected. "I don't know of any better way," he says.

BUSINESS AND THE ENVIRONMENT

Richard Tomkins examines a road pricing system intended to relieve congestion in urban areas

Clocking up the miles

Riches beyond the dreams of avarice beckon the developer of the first globally-acceptable road pricing system.

Just as the problems of traffic congestion are immense and worldwide, so is the market for a cost-effective method of rationing the available road space among those who are prepared to pay for it.

It is with this multi-billion dollar carrot in mind that GEC-Marconi, the aerospace and electronics arm of Britain's General Electric Company, has developed Timezone, a system of charging people for driving in urban areas.

Until now, governments throughout the world have preferred to live with worsening traffic congestion rather than risk the political repercussions of introducing such a scheme.

But the effects of traffic congestion on the urban environment have become so damaging that the need for some sort of solution is growing urgent.

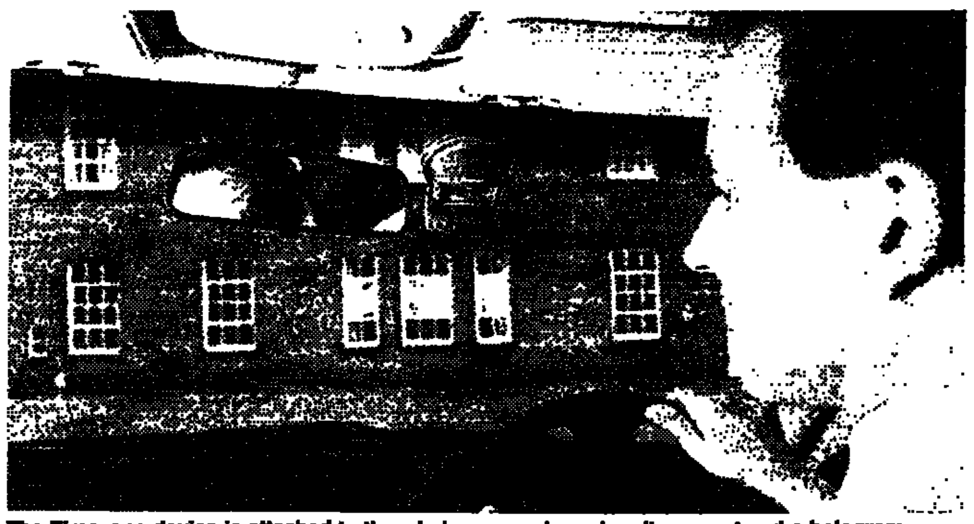
Investment in public transport is rarely an answer on its own. Often it does little more than improve the lot of existing public transport users: and when it does take motorists off the roads, their place is simply taken by others.

A combination of public transport and road pricing, however, offers the beginnings of virtuous circle. If motorists are charged for their use of the roads, the revenues can be applied to improving public transport, thus giving the motorist a two-fold incentive to switch to a more environmentally-friendly mode of travel.

So much for theory. In practice, however, road pricing has had a troubled history.

The only fully-fledged system running today is in Singapore, where motorists have to buy a daily or weekly permit to drive into the city centre during the morning peak. Permits are checked visually by police at the city's 29 entry points.

Outside the somewhat authoritarian environment of Singapore, most attempts to introduce anything other than motorway, bridge and tunnel tolls have foundered on political objections.



The Timezone device is attached to the windscreen using a bonding agent and a hologram

The best known example is Hong Kong, where an experimental system was abandoned in 1985 on civil rights grounds because the bills itemised the journeys motorists had made.

GEC-Marconi's Norman Green says the developers of Timezone were acutely aware of the political sensitivities when they designed the system. "We knew that if we didn't get public acceptability, we wouldn't get political acceptability, so we designed our system to satisfy political and socio-economic criteria before we developed the technology," he says.

The system had to be perceived as fair, easy to use, difficult to outwit, and acceptable in terms of civil liberties.

GEC-Marconi believes Timezone addresses all these criteria. This is how it works.

The motorist has an electronic device about the size of a cigarette packet which is stuck to the windscreen, behind the rearview mirror. A slot in the device accepts a smartcard which charges up the device with credits.

The device is brought into operation by radio waves emitted by small roadside transmitters. The transmitters are installed not just at the entry to a town or city, but throughout the area.

Normally, the device is idle. But when it approaches a zone where charges apply, it is switched on by radio waves from the nearest transmitter and starts consuming credits.

The number of credits consumed depends on the time spent in the charging zone. But charging stops when the vehicle is parked: the device contains a movement sensor which stops the clock when the vehicle has been motionless for more than a minute or two.

A city like London would probably have several zones charging different rates, according to the severity of their congestion. Charges could vary at different times of day.

Drivers will be able to recharge their smartcards at booths across the city, perhaps at service stations. They should not run out of credits because a digital display on the back of the Timezone device will tell them how many they have left.

If they do run out, the roadside transmitters will sense this and automatically report the car's registration number to the authorities. But GEC-Marconi emphasises that registration numbers cannot be detected by the system as long as meters remain charged.

People without Timezone devices will not be physically prevented from entering a charging zone. But some transmitters will be linked to cameras, and if one of these detects a vehicle without a device, it will photograph the vehicle's registration number, read it by computer, and pass the information on to the authorities.

Motorists without devices will be expected to buy a daily, weekly or monthly pass. The issuer of the pass – for example, a post office – will pass the applicant's registration number to the authorities so that they know the car has paid for access to the zone.

In fact, says GEC-Marconi, it will be in motorists' interests to fit a device because it will be given out without any charge to the consumer when the first smartcard is bought.

The Timezone will not be transferable. It will be fixed to the windscreen with a bonding agent containing a hologram which will reveal if the bond has been broken.

Similarly, each smartcard will only work with the meter for which it is made – though several members of a family may have smartcards which will fit the same meter.

This will enable differential charging to be introduced. Meters fitted to lorries, for example, could consume more credits than meters fitted to cars, and some drivers – disabled people, perhaps, or residents living within the charging zone – could be allowed to buy credits for their smartcard at a discount.

Water quality provokes a flood of controversy

John Hunt on the debate over contamination levels

The quality of UK drinking water is the subject of almost obsessive public attention. This was highlighted recently by the political row and media exposure when Three Valleys Water Company supplied customers with unchlorinated water following a fault in the system.

"The entire system of drinking water regulation is inadequate," Ann Taylor, Labour's spokeswoman on environmental pollution, declared in the Commons.

A week later thousands of Thames Water customers in Oxford had to boil their water after the discovery of E. Coli in the supply. This is a bacterium which may be an indicator of contamination by more serious micro-organisms.

Earlier this year South West Water was fined £10,000 and ordered to pay £25,000 in costs for supplying water contaminated with aluminium sulphate to 20,000 customers at Camelford, Cornwall.

Customers throughout the country are understandably alarmed when they hear of such a case. But serious incidents like Camelford are rare. Most involve microscopic quantities of bacteriological or toxic substances and are dealt with so swiftly that there is no danger to human health.

Nevertheless, the overall quality of Britain's drinking water is the subject of highly-charged political controversy. The first report of the new Water Inspectorate, which polices the system, was published in July. Michael Heseltine, environment secretary, saw it as confirmation of the high quality of UK drinking water. Of 3.3m tests carried out last year 99 per cent were within the legal limits.

Mike Healey, chief inspector, said supplies from the 39 water companies were generally of a high standard and some were exceptionally good.

However a closer reading of the report shows that the situation is not quite so rosy. In four cases the inspectorate is considering whether to prosecute water companies (so far unnamed) for supplying water unfit for human consumption.

Thirty one pesticides were found to exceed levels laid down in the 1989 Water Act although they did not endanger health. Indicator organisms in some areas had been detected in greater numbers than expected.

Environmentalists scoff at Heseltine's claims. Friends of the Earth say that 10m consumers are supplied with tap water contaminated beyond the legal limits in European Community regulations.

The EC standard for pesticides is one part per 10bn – a level so low that it is known as a surrogate zero. Thames Water complies with the World Health Organisation's standards on safe drinking water and those of the US Environmental Protection Agency.

In the meantime the government has accepted undertakings that the water will be brought fully into line with EC standards on pesticides by the year 2000 at the latest.

Most of the pesticides, which are used in great quantities by gardeners in this densely populated area, will be eliminated from the water by 1993. British Rail and some local authorities have agreed to a Thames request to cease using some persistent pesticides.

The water industry has a remedial programme of £2bn up to 1995 to improve drinking water quality. Thames is spending £500m over the next 10 years to improve water treatment facilities. It has just opened a £4m plant at Kempton, near Heathrow, to develop advanced purification systems.

Its 25 laboratories are being consolidated into two large ones which are among the most advanced in the world. One is at Reading and one to be opened in London's dockland in the autumn.

At the Reading laboratory 600 samples are tested daily and the lab is staffed seven days a week. Samples are logged on a computer, and automated machines can test 40 an hour.

In contrast a team of four people test the water for taste and odour in the same traditional way as wine tasters.

In addition to pesticides there are tests for metals such as lead, aluminium and mercury. An electron microscope can investigate right down to the molecular structure.

The system relies on the team of water quality inspectors operating throughout the Thames area which supplies 7m people from Dartford, Kent, in the east to beyond Swindon in the west.

At Reading, Ramon Franco, aged 34, travels up to 150 miles a day visiting treatment sites, boreholes or inlet houses where river water has been taken in. Like many of his colleagues he has a degree in biological science.

He also knocks on doors taking random tests in the home where householders are generally eager to discuss their water. He finds that it is rare to find anyone admitting that their water is perfect. "If we got to that stage we would be out of a job," he observes.

Satellite explores the ozone

The Upper Atmosphere Research Satellite, the largest environmental satellite ever built, is safely in orbit 370 miles above the Earth after its launch from the US space shuttle Discovery on Sunday.

UARS is a $740m (£425m) project designed, as Nasa puts it, "to help scientists learn more about the fragile mixture of gases protecting the Earth from the harsh environment of space".

The 10 instruments on board the 6.5 tonne satellite are now undergoing preliminary testing. They are due to start transmitting information on the chemistry of the upper atmosphere within two weeks. That should be in time to observe the seasonal "ozone hole" forming above Antarctica, as the sunlight of the southern spring triggers a complex series of photochemical reactions involving man-made chlorofluorocarbons (CFCs).

During the next year, UARS will observe similar processes happening over the northern hemisphere, where springtime ozone depletion is believed to occur not only above the Arctic but at latitudes as far south as the US and western Europe.

The debate about the way CFCs are destroying the ozone layer has been handicapped by the inadequate data available so far. Ground-based observations from aircraft, balloons, rockets and previous satellites have left room for a lot of scientific speculation; UARS is intended to provide a wealth of hard facts during its three-year working life about the chemistry, dynamics and energy balance of the atmosphere.

One instrument, the Improved Stratospheric and Mesospheric Sounder, was designed and built by a UK team involving Oxford University, Rutherford Appleton Laboratory and British Aerospace. It uses infra-red radiometry to measure chemicals, including ozone, methane, nitrous oxide and water in the upper atmosphere.

UARS is the first stage of Nasa's Mission to Planet Earth, a 15-year global research programme using "ground-based, airborne and space-based instruments to study the Earth as a complete environmental system".

Mission to Planet Earth will get into its stride in the late 1990s, when Nasa plans to launch a series of big environmental satellites under the title of Earth Observing System. Each will be a space platform packed with scientific instruments.

The European Space Agency has also made environmental sensing a centrepiece of its (more modest) programme for the 1990s. Its ERS-1 satellite was launched on an Ariane rocket in July and is beginning to transmit high-resolution pictures of the Earth's surface and lower atmosphere.

Clive Cookson

ACQUISITIONS AND DISPOSALS BY HANSON

BDH Engineering (1973)	
Price:	£12.2m
Disposals:	£m
1973	11.0
Carlsbrook (1977)	
Price:	$36m
Disposals:	$m
1977	16.0
1983	6.8
Hygrade (1978)	
Price:	$32m
Disposals:	$m
1979	11.5
1984	14.0
1989	140.0
	165.5
Interstate United (1978)	
Price:	$30m
Disposals:	$m
1978	6.3
1985	93.5
	99.8
Lindustries (1979)	
Price:	£27.9m
Disposals:	£m
1989	48.0
1990	1.25
	49.25
Berec (1981)	
Price:	£95m
Disposals:	£m
1983	$60.0m
1989	£1.3m
McDonough (1981)	
Price:	$185
Disposals:	$m
1981	52.5
UDS (1983)	
Price:	£260m
Disposals:	£m
1983	15.2
1984	15.3
1989	231.7
1990	0.9
	263.15
USI (1983)	
Price:	$532m
Disposals:	$m
1984	22.5
1985	38.4
1986	78.7
1987	24.5
Disposals:	$m
1988	1.9
1989	23.0
1990	13.3
	200.3
London Brick (1984)	
Price:	£245m
Disposals:	£m
1986	33.0
Imperial Group (1986)	
Price:	£2.5bn
Disposals:	£m
1986	1,673.0
1987	23.0
1988	554.7
1989	87.7
1990	1.6
	2,340.0
SCM (1986)	
Price:	$930m
Disposals:	$m
1986:	935.0
1987:	33.6
1988:	116.0
1989:	309.0
1990:	41.5
	1,585.1
Kaiser (1987)	
Price:	$250m
Disposals:	$m
1987	53.2
1988	221.3
	274.5
Kidde (1987)	
Price:	$1.5bn
Disposals:	$m
1988	411.9
Disposals:	$m
1989	71.6
1990	250.7
	734.2
Stuart Anderson Restaurants (1988)	
Price:	$20m
Disposals	$m
1990	11.4
Consolidated Goldfields (1989)	
Price:	£3.3bn
Disposals:	£m
1989	614.3
1990	2,039.75
	2,654.05

Source: Hanson's US annual reports (Form 20-F) 1988-1990

Still limbering up for the big one

Hanson's acquisition of Beazer represents one small step. **Simon Holberton** explains what it does with the companies it keeps

It is in the nature of things that Hanson, Britain's most impressive takeover machine, must surprise and delight. Despite being the darling of investors, large and small, throughout the 1980s Hanson has to keep buying companies to keep the markets interested.

Until Monday's £351.4m agreed bid for Beazer, the Anglo-American building group, investors and analysts were heard wondering aloud: "Is Hanson slowing down?". In the absence of another large bid and having improved the profitability of the companies it keeps, Hanson was finding it difficult to convince investors that it could continue to extract further efficiencies from the businesses it runs.

Even in the aftermath of the Beazer deal there are still some sceptics. "It's a step on the way," says Nyren Scott-Malden, conglomerates analyst for Barclays de Zoete Wedd, the City brokers. "But I don't think it's necessarily *the* bid."

The company has been on the look-out for a "big" takeover for the past 18 months – witness its approach to the UK government to buy PowerGen last year, its interest in acquiring British Sugar, and now its shareholding in ICI, Britain's biggest manufacturer – and it needs one.

An analysis of the composition of Hanson's operating profits suggests that underlying growth (profits excluding the effects of provisions, net interest and other items) may have stalled. Excluding Beazer, profits between 1988/89 and 1990/91 are expected to grow from £925m to only £990m – a rise of 7 per cent.

Some business academics have forecast that conglomerates like Hanson will face "conglomerate discount" – their whole will be worth less than the sum of their parts. While this is glaringly true of its Antipodean imitators – especially John Spalvins' Adelaide Steamship Company, or Alan Bond's Bond Corporation – Hanson has been able to avoid this condition by making frequent takeovers. They enable it to keep growing, to maintain investor interest, and to keep its stock market rating high. Beazer amounts to some much-needed oxygen.

Hanson was a small-time corporate raider for the first 15 years of its life. The 1980s was the decade when it moved into the big time. Although the company's most recent deals – such as the 1989 £3.3bn bid for Consolidated Goldfields, or last year's $1.2bn acquisition of Peabody, the biggest coal producer in the US – live in the mind, it was two transactions, both completed in 1986, that transformed the company.

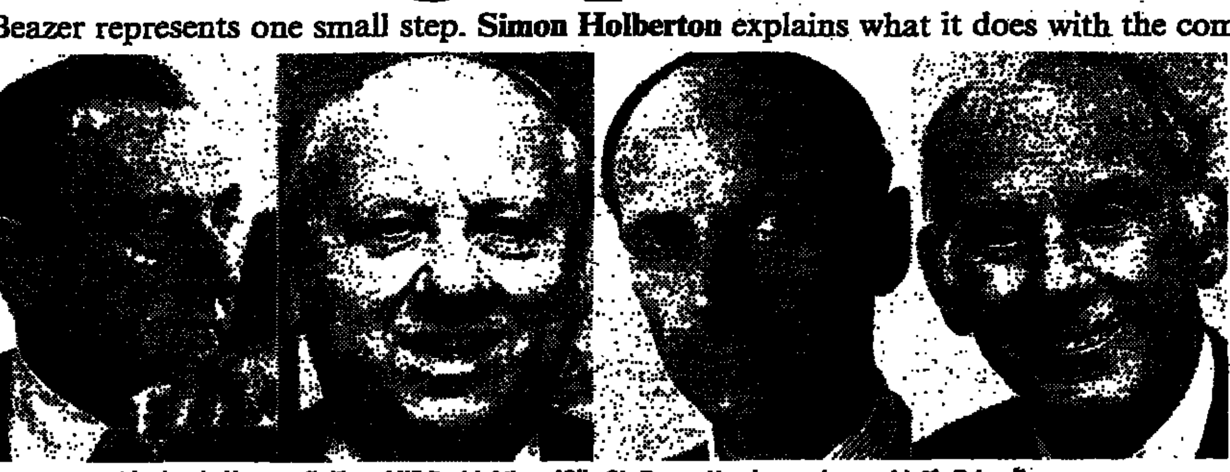
These were Hanson's £2.5bn bid for the Imperial Group and its $930m acquisition of Smith Corona. In purely financial terms, they were remarkably profitable and rank as two of the most successful takeovers executed during the 1980s, on either side of the Atlantic.

By the end of 1990, Hanson had extracted $1.6bn from sales of SCM assets and £2.3bn from sales of Imperial assets. In October last year, Hoare Govett, one of Hanson's UK brokers, valued SCM Chemical in the UK and US at $2.3bn, and Imperial at over £1bn.

Impressive as these figures are, they are not the sole, or even most important, standard by which Hanson wishes to be judged. Both Lord Hanson and Lord White are stung by suggestions that they are simply superior financial engineers; they want to be judged on their ability to add value to the assets they manage.

"Management. . .our greatest asset" is a statement that has graced both its 1989 and 1990 UK annual reports. "We are an industrial management company," Lord Hanson wrote in *The Treasurer* in June 1987.

Key to Hanson's strategy to date has been its decision to avoid businesses which are heavily capital-intensive – such as steel, shipbuilding, nuclear power, oil and gas. This explains why most comment concerning Hanson's putative bid for ICI often comes down to the likelihood of Hanson selling ICI Pharmaceuticals. These sorts of business, Lord Hanson said in 1987, "rely on huge and expensive research with a prospect of a return sometime or never".



Pincer movement by Lords Hanson (left) and White (right) on ICI's Sir Denys Henderson (second left), Brian Beazer

"We are very different from the general run of major world companies in two significant respects," he wrote in *The Treasurer*. "The first is that we have elected. . .to concentrate on only two markets, over here and over there. . .The second critical difference is that we are oriented to profit centres not to product."

Although a transnational in appearance, Hanson is not. Being profit, rather than product, oriented has meant that the company feels little need for horizontal diversification, especially across frontiers. Hanson is in textiles and footwear in the US but not in the UK where it has tobacco and battery assets; bricks and aggregates in the UK but only cement in the US, although the acquisition of Beazer brings with it America's second largest aggregates company.

This management style also means that management structures are contained within frontiers. Both the US and UK halves of Hanson report to senior managers resident in either New York or London.

In only one product line, titanium dioxide (SCM Chemical), does Hanson own significant assets that cross frontiers – in this case, in the US, UK and Australia – and a management structure to match. SCM is managed from Baltimore by Don Borst, chief executive, who was managing the company when Hanson acquired it in 1985/86. Managers who operate SCM's plants in Britain and Australia report to Baltimore.

According to Martin Taylor, deputy chairman of Hanson, since January 1986 the conglomerate has invested $350m in SCM to increase titanium oxide capacity. (SCM also uses a newer, more environmentally-friendly, method of producing the chemical.) The head count at SCM has also risen. When Hanson acquired the company it employed 2,200 people; today it employs 2,500, Taylor says. "It's a good business and we've been able to improve it," he adds.

For the past year, however, rumours have been circulating in the City that Hanson has been wanting to sell the company. Bayer has been mentioned as a possible buyer, but at a price significantly below the company's $2bn purported asking price. Taylor is adamant that those rumours are incorrect: "We have not had it up for sale," he says.

But SCM is atypical. The "over here and over there" bias in the dominant characteristic of Hanson's strategy and management style, a style, moreover, which was underlined four years ago in an interview Lord (then Sir) Gordon White gave to the FT: "James and I agreed when we started over here [in the US] that we didn't want to be involved in any country where they didn't speak English. I sold off Ever Ready's European operations because we didn't want to be in Germany and Italy."

The typical attributes of the companies Hanson keeps, such as Imperial Tobacco, are threefold. The companies usually operate in a mature low technology sector where they have a dominant or near dominant market share; they have strong cash flow; and, they have capable middle management.

The latter are usually the beneficiaries of a process known as "Hansonisation". This is a rigorous cost-cutting exercise which results in job losses – for senior managers but job opportunities for less senior ones – and a claw back of investment in plant and research and development. (This is not to say that Hanson never invests; last year capital spending was £247m, or 1.8 per cent of revenues of £13.4bn.)

Since its acquisition of Imperial in 1986, Hanson has reduced the numbers employed by 46 per cent while keeping output constant. Total operating costs have been reduced by 25 per cent. Despite the efficiency gains and increased profitability, Hanson has not been able to reverse the secular decline in Imperial Tobacco's market share. In 1985, Imperial had a UK market share of 42 per cent against Gallaher's 34 per cent share; by 1989 those positions had been reversed, with Imperial declining to 35 per cent and Gallaher's rising to 41 per cent.

Last year, Hanson spent £40m on the business, part of which went into a state-of-the-art cigarette manufacturing plant in Nottingham. This machinery should make Imperial the lowest cost producer of tobacco products in Europe. "They have halted the decline in Imperial's market share and now appear to be rebuilding it," says Nyren Scott-Malden.

Another UK acquisition, that of Berec (renamed British Ever Ready) in 1981, is a copybook example of "Hansonisation". Berec's old head office was cut from 550 to 75 staff and in so doing management layers were reduced from 9 to 3; the blue-collar workforce was cut from 3,658 to 1,061.

Hanson's attitude to investment and research is legendary – until recently capital expenditures of £500 and $1,000 had to be signed off by the chairman himself, although these limits have since been doubled – and Berec was no different.

Its R&D operations at Abingdon, Oxfordshire, were sold and the Tottenham facility was closed. Hanson also sold Berec's foreign operations – for £41m – but, in selling Berec's West German subsidiary it also sold the company which developed the technology which went into Ever Ready's Gold Seal battery, the company's competitor to Duracell's alkaline battery.

Hanson has reduced costs, and boosted margins since it owned Ever Ready. Last year analysts estimated that Ever Ready produced operating profits of £45m. But it has gradually lost share to Duracell.

Even Hanson's most ardent admirer and vigorous defender would not claim that the company has achieved its present size and level of earnings performance through "organic" growth. (In the US, neither has ICI; a lot of its growth there has been the result of acquisition, ironically from Hanson.) Hanson has produced such startling returns because of the takeovers it has made, which have generated a steady stream of profits from disposal and profits from the early years of "Hansonisation".

But while the process of "Hansonisation" may raise an acquired company's efficiency and profitability to a higher level in the short- to medium-term, the long-term growth that these companies – low technology, mature market, large market share – achieve tends to track general economic conditions.

With the current depressed state of the UK and, to a lesser extent, the US, it is little wonder that growth in Hanson's profits has moderated and its share price has under-performed the market. But without a major acquisition – and it is not clear that Beazer quite fits that bill – Hanson may well struggle to maintain is super-achiever status.

ARTS

Das Rheingold

COVENT GARDEN

The Royal Opera's latest *Ring* staging is now complete: two cycles (plus a bonus performance of *Rheingold*) are filling out the company schedule over the next month. Full-scale *Rings* are now rather scarce commodities in London – the last was the 1987 Welsh National Opera presentation at Covent Garden – and, for that reason alone, rejoicing at the return of opera's mightiest epic ought to be the communal response.

But in the face of the dismally dank time-tunnel setting devised by Götz Friedrich (producer) and Peter Sykora (designer), rage and despair seem to me the more reasonable modes of audience reaction – on Monday they were mine, anyhow. This is, of course, a borrowed, not a homegrown, production: a touring *Inszenierung* from the Deutsche Oper, Berlin, hastily bought in to fill the gap caused by the killing-off of the planned collaboration between Yury Lyubimov and Bernard Haitink after the 1988 *Rheingold* production.

As the seasons have passed, and the Berlin cycle has been re-built in single episodes, the rashness of this decision has grown ever more obvious. At the start of a complete showing, and after witnessing for the first time the *Vorspiel*, I now think it pure folly. Taste is a personal matter, and dislike of the grey tunnel – underground garage and roadway in one – in which the whole cycle is imprisoned may not be universally shared. So the case against this production can be more generally made: its canvas is disastrously pinched and pinioned by the confining, enclosing limitations of the single set; and its early-1980s dramatic gestures have the texture and smell of yesterday's mashed potatoes.

The *déjà vu* feeling is the more strongly pronounced in *Das Rheingold*, in that several of Friedrich's bits of "political" business (Donner and Froh as effete sillies, Loge as part-trickster, part-professorial truth-teller in a three-piece suit, the giants stamping like clog-dancers, the entry into Valhalla a tranced slow cotillion) were made familiar from the producer's previous *Ring* in the same house.

The difference is that the earlier Friedrich conception argued its (sometimes agitprop comic-strip) ideas with breathtaking panache and technical virtuosity; to see the same ideas not only gone stale but developed in such theatrically cramped, inhospitable conditions makes for a wretchedly poor exchange. The wheezes and squeaks of the set in the opera's early stages need urgent attention – and perhaps the ministrations of an oil-can?

Most of the flickers of energy in Monday's performance were registered down in Nibelheim. The subterranean setting is appropriate, at least; the jokes with neon lighting and television-screen technology were neatly relayed; and, best of all, there were bitingly delivered accounts of Mime from Alexander Oliver (much more confident in the role since his 1990 *Siegfried* debut) and Alberich from Ekkehard Wlaschiha. The latter, sung with ringing clarity, distinctive tonal signature and a genuine emotional vitality, threatens to be the hero of the 1991 cycle: on a stage otherwise people by (mostly admirable) singers diminished by the setting, Mr Wlaschiha at least preserves the scale of the character.

He has this in common with *Helga Dernesch's stately, eloquent* Fricka and the giants of Gwynne Howell (a beautifully lyrical, romantic Fasolt) and Franz-Josef Selig. By contrast, James Morris is a Wotan of magnificent voice and musically responsive style who with experience grows no grander, no more verbally penetrative. Kenneth Riegel, an intelligent artist, fusses horribly with Loge's music (and to my ears the actual tone is continuously disagreeable). Anne Gjevang's Erda, smoothly sung, trips onto the stage like an ageing *hippie; the roles of* Freia, Donner and Froh go for almost nothing, in spite of competent singing by Deborah Riedel, Donald Maxwell and Kim Begley.

The phosphorescent combination of spectacle, debate, comedy and once-upon-a-time story-telling that can make *Das Rheingold* one of the most enjoyable of operas was sorely lacking from Monday's show. Bernard Haitink, though his conducting continues to be the single greatest strength of the whole enterprise, seemed *unable to supply it from the pit* alone. There was a huge amount to admire in the musical performance – excellent playing (particularly clean, muscular brass and wind), an always striking appreciation of detail, cogent grasp of architecture, chivalrous concern for voices – yet it was not until the arrival in Nibelheim that I modulated from a detached appreciation of executive virtues to something like involvement. No doubt the later *Ring* episodes will bring back in full the Wagner conductor we have *already learned to revere.*

Max Loppert

Alastair Muir

The giants, sung by Franz-Josef Selig and Gwynne Howell, with the Freia of Deborah Riedel

Saito Kinen Orchestra

ROYAL FESTIVAL HALL

The Japan Festival is poised to embrace British arts-lovers with the generous hug of a Sumo wrestler. It must be difficult to decide how to open a festival as vast in its physical bulk as this one and the organisers must be pleased that their choice for the first orchestral *concert turned out so well.*

The Saito Kinen Orchestra impressed audiences when it came last year and Monday's concert showed no slip in its standards. A single Japanese morsel was added to the menu that other European cities will be served on the tour. Takemitsu's *Requiem for Strings* probably seemed an apt opener as it marks a point where Japanese and Western musical styles meet (a substantial retrospective of Takemitsu's music at the Barbican is one of the festival's main attractions). But this score belongs firmly to the Western side of the tradition and its yearning spirit is reminiscent more of Mahler than anybody else.

The main reason for including it, aside from giving a polite nod to the Japanese theme, will have been the opportunity this short piece provided for the Saito Kinen's *string players to shine.* There are a few more European faces than there were before, notably in the wind section, but it is still the orchestra's glowing strings that are its chief glory.

As on its last visit, the orchestra came primarily to play Brahms under Seiji Ozawa. This time the symphonies were the Second and the Third, but both the overall warmth of the sound and initial doubts as to the conductor's part in the proceedings *were just as remembered* before.

The evening started slowly. The Third Symphony passed by with nothing beyond the excellence of the playing to involve the listener, until Ozawa whipped up some pace in the finale, a recurring feature which has started to look like part of his game-plan. But after the interval the Second Symphony was quite another matter. Instead of individual lyrical phrases or outbursts from the brass catching the attention, here was a fully thought-through performance, sweeping the imagination away with the impassioned delivery of the whole. Ozawa has given us nothing better.

In every way this was music-making that lived up to the occasion. The members of the Saito Kinen Orchestra only come together for a few months in the year and so each appearance by them has a cachet that genuinely warrants the festival tag.

Richard Fairman

Poetry in performance

In the centre of the vast, bare stage of the Commonwealth Institute's Great Hall: an Indian carpet. And on that carpet, Robert Bly, portly, 65, squats cross-legged on a cushion, flanked by Marcus Wise on tablas and David Whetstone on sitar (two serious, handsome American boys in Indian dress) for an evening of traditional Indian poetry and dance. Bly *looks quintessentially* Bly: open-weave waistcoat; brilliant peacock cravat. The face, florid, fleshy, benign beneath a shock of luxuriant snow-white hair, could be any merchant banker's; but the voice is a mid-western drawl, singularly tuneless. No one wears shoes.

Once upon a time, Bly read his poems alone – but he *found the experience* "very dry." Then he read to the accompaniment of the dulcimer – which he couldn't play. Now he is a master of ceremonies. The evening consists of an exploration of soul. Bly reads translations of poems by Kabir, Rumi, Maribai (15th and 16th century masters); short, ecstatic pieces that throw a bridge across from the conscious to the unconscious mind. The ghostly sitar wails thinly; the tablas plink and pock; and above it all Bly's voice rides high, jocular, com*manding, a relentless, sacred* and profane love-machine that often descends into gorgeous Americana: "You play the flute well, and I love your swing curls and your ear locks."

Bly's body rocks backwards and forwards, but the most expressive part of him is the hands – windmilling, weaving in the air, circling like the pistons of a steam train; fists beating on his knees. And those fingers: twitching, twirling, fluttering, flitting about, casting spiritual spells.

But it is Neena Gulati's clas*sical Indian dancing that* brings the poetry alive, helping us to understand – by a sudden, shocked look of fearful rapture in her huge, kohl-ringed eyes, or the way she stamps and judders her ankle-bells – how the Sufi mystics could speak about spiritual and carnal ecstasy almost in the same breath. As Maribai said and Bly intoned after her: "All I was doing was breathing/ And the dancing energy came by my house."

★

George Macbeth gave a virtuoso performance, both as chairman and poet, at the third Charterhouse Poetry Festival last weekend. There is a Yeatsian panache about Macbeth. The dress is marvellously dandified, *swashbuckling* – from the stiff, upturned collar to the lace at the wrists; from the brilliant, polka-dotted waistcoat to the flamboyant creations that flourish at his neck. He might even be some delightful curiosity out of Tenniel's *Alice* in the way that his lank, grey hair seems to be finger-combed forward and then wildly blown apart to reveal that mischievous, grinning face of his with its gappy, splayed teeth. And the voice is a continuing extension of his own fanciful sense of himself, swooping, grumbling, rum*bling, like some heavy vehicle* moving across gravelly ground. It sounds like a mannered, drunken, deeply cultivated drawl – but the man is clearly sipping mineral water. It is pure sound in its own intonations – irrespective of any *meanings* that the words may wish to convey. It can sud*denly pounce upon a word and* savage it for no apparent reason.

I wonder as I listened whether the language really deserved such playful violence. The words on the page seem plain and sadly quiet, innocent and unadulterated when we come to look at them later – not half so long or half so affecting as when intoned by that rolling, rollicking bardic voice. Towards the end of the reading, Macbeth recited a poem entitled "Lady M" from *Trespassing*, a collection pub*lished since he settled in* Ireland in 1988. It is a Yeatsian poem, indeed, all incantation. "In a way, I see myself becoming a sort of belated Laureate of the Irish Ascendancy," he told us with a mock flourish. This technically various, copious poet could do that, too.

Michael Glover

TELEVISION

Riots, streetwise comedy – and a touch of class

It is ironic that the title of *Minder* refers not to George Cole's character, Arthur Daley, but to young Terry McCann, the obtuse boxer played by Dennis Waterman. In 1979 Thames TV wanted a role for Waterman when *The Sweeney* came to an end and he no longer had regular employment as John Thaw's sidekick in the Flying Squad. Instead he became George Cole's sidekick in the same London sub-culture, one which would have been familiar to Mayhew: petty thieves, drinking clubs, tarts with hearts of gold and so on. But the series became Cole's personal property, and Daley – the cowardly spiv, with a bossy wife who was never seen ('Er Indoors) and a lovely line in malapropisms ("'Ow would you have fared in the blitz with bombs rainin' dahn from the Lufthansa?" he asked last week) – slowly became one of the best known characters on British television. His fame was extended by a long sequence of commercials for a building society in which Cole continued to play the Daley character. When Waterman left, convinced that typecasting as the dimwit was stunting his career, the assumption was that, having cried wolf at the end of each series, Thames really would stop this time. But with close on 60 overseas buyers for the programmes they overcame even Waterman's departure, cast the unknown Gary Webster as the new sidekick, nephew Ray Daley, and carried on. And, embarrassing as it may be for Waterman, McCann's absence turns out to be irrelevant. Daley is the heart of the series, and the other attractions also remain: the seedy London locations, the comedy, and the cockney argot. The only worry is the scripts. Where the earlier stories were often dense and interesting, the scripts now seem to rely almost entirely on exploiting known character traits. Last week's "story" consisted of little more than Arthur being winched up the lift shaft of the warehouse that he and Ray had burgled in order to *replace 150* cases of corked wine. Thin stuff, though the programme was still undeniably entertaining.

★

Meanwhile, the BBC1 "comedy" series in which Waterman now stars, *On The Up*, is a disappointment which cannot be disguised even by the canned applause which is poured so *thickly over it.* We all know that exchanges such as "I don't want to sound prurient but I wish I was a fly on that bedroom wall" – "You'd hiccup and fall off" do not incite gales of hysterical laughter, and creating them artificially fools only the very credulous. Joan Sims has fun as Mrs Wembley, but Waterman is wholly unconvincing as the self-made cockney millionaire.

★

Did you hear about the riot in Oxford? It became so violent that a number of the students were killed and the university was closed. Of course that was 637 years ago, in 1354, when rioting was the real McCoy. On that occasion the rioters used swords and daggers and even longbows. One day we shall turn on our televisions on a sweltering summer evening to watch a riot discussion involving politicians, clergymen and sociologists and not one will say "What can you expect after a decade of 'gimme-gimme' Thatcherism?". Not one will say "Parents no longer know how to be parents". There will be no talk about unemployment, racism, or comprehensive schooling.

George Cole with his new minder, Gary Webster

Instead somebody will point to the similarities between rioting and morris dancing: both with centuries of tradition behind them, both popular all over England, both offering young men with no war to *fight an outlet for male aggres*sion, almost always on long, hot, boring summer evenings. Somebody else will suggest "Either we take a leaf out of the book of *Not The Nine O'Clock News* and cut their goolies off, or we learn to contain these riots as best we can" to which the next speaker will say "That's right because a tiny minority of youths would still riot even if everyone was given a Golf GTi on his 17th birthday". The chairman will wind up by declaring "Surely we should all stop pretending there's anything in the least unusual or mystifying about it". Whereupon viewers all over the country will roll off their old green sofas in a dead faint.

★

Something close to that happened on Saturday evening when not one network, not *two, but three – simultaneously!* – contrived to offer longish programmes of considerable interest to the non-moronic. So accustomed are we to the wasteland of the Saturday schedules that this caused quite a shock. First Channel 4 began its *Night In Japan* as a curtain raiser to the nationwide Japan Festival. Being among those who prefer their Japanese culture mysterious, and have no desire to see it more thoroughly integrated with English culture, and having, in any case, had Japanese television ruined for me by Clive James, I gave this pretty short shrift and moved to BBC2.

They were just beginning *The Pop Show* which took the opening of the Royal Academy exhibition as the occasion for a two-hour up-summer on pop art. It seemed a slight pity and yet no great surprise that the *most informative and enter*taining element was a repeat of Ken Russell's 29-year-old *Monitor* programme on Peter Blake, Derek Boshier and others. The visit to the RA itself proved that television has still not discovered a satisfactory way to deal with art exhibitions. George Melly, Sarah Kent and Brian Sewell are all good critics, and Melly is invariably amusing, but sending the three round an exhibition together is not much help to a television viewer. The agedness (or even absence through death) of one's youthful heroes was shocking, but the modern interviews with people such as Richard Hamilton were fascinating. For 25 years who has bothered to talk about pop art?

BBC1 in the mean time actually seemed to have become some sort of pop art icon: the overhead fish-eye shot of all those Union Jacks (all right, *Flags) waving for The Last Night Of The Proms* could easily have been something painted by Blake in 1961. And when Gwyneth Jones came out for "Rule Britannia" in full regalia – huge brass helmet, trident and shield – the effect was multiplied, though you might have hoped she would know the words and not need to crib them off the inside of her shield. It is no good, any longer, objecting to the awful jingoism of this concert: like Guy Fawkes night it is an occasion *sui generis*, the rationale for which was long ago forgotten. Thanks to director Kriss Rusmanis it made rather good television this year.

★

BBC1's preceding programme was *The House Of Elliott*, latest in a vast catalogue of costume dramas. Is it not extraordinary to go to such lengths to ensure the utter authenticity of trains, hats, furniture, newspapers and goodness what else in this production and yet to cast in one of the two principal roles (Evie) an actress (Louise Lombard) with such an unmistakeably late 20th century accent? Are producers and directors now so young that they simply do not realise what a howler it is to perpetrate this obvious *anachronism after taking such* obsessive trouble with all the other details?

★

It is probably a forlorn hope but it would be nice, would it not, if we could get through the rest of the run up to the general election without being told twice a night on television that the British electorate may vote for a hung parliament. In the first of a new series of *Question Time* Paddy Ashdown repeatedly trotted out this idea which is, surely, complete nonsense. Each elector goes out and votes for an individual, presumably in the hope that he and, it is hoped, his party, will win. "Tactical voting" may have some meaning within a *single constituency*, but the idea that the British electorate is capable of co-operating nationally to produce collectively the results necessary for a hung parliament is sheer fantasy. That may well be the outcome, but none of us is capable of voting for it.

Christopher Dunkley

INTERNATIONAL

ARTS GUIDE

TODAY'S EVENTS

AMSTERDAM

Concertgebouw 20.15 Georg Solti conducts the Royal Concertgebouw Orchestra in Le Sacré du Printemps and Shostakovich's First Symphony, repeated tomorrow and Sat (6718 345)

Beurs van Berlage 20.15 Hartmut Haenchen conducts the Netherlands Philharmonic Orchestra in music by Berwald, *Keuris and Beethoven, with* mezzo-soprano Jard van Nes. Sun: Gaetano Delogu conducts National Youth Orchestra in a programme of Brahms, Mozart and Glinka (6270 466)

Muziektheater 20.15 Dutch National Ballet in works by Hans van Manen, Toer van Schayk, William Forsythe and Balanchine. Tomorrow and Sun: Mazeppa. Fri, Sat and next Tues: *Nederlands* Dans Theater (6255 455/credit card bookings 6211 211)

BERLIN

Deutsche Oper 20.00 Giselle, production by Peter Schaufuss (West Berlin 3410 249)

Staatsoper unter den Linden 19.00 Lothar Zagrosek conducts Cosi fan tutte. Tomorrow: Der Freischütz (East Berlin 2004 762)

Schauspielhaus 20.00 David Shallon conducts the Berlin Staatskapelle in Shostakovich's Seventh Symphony and Ravel's G major Piano Concerto, with Helene Grimaud. Tomorrow, Fri and Sat: Ferdinand Leitner conducts Berlin Symphony Orchestra (East Berlin 2272 261)

BONN

Oper 20.00 Ivan Anguelov conducts Graham Vick's production of Rigoletto, with a cast led by Jean-Philippe Lafont, Luigi Roni and Alejandro Ramirez. Sun: Swan Lake (773667). Tomorrow in the Beethovenhalle: Dennis Russell Davies conducts Debussy's Prelude *à l'apres-midi d'un faune*, Isang Yun's Oboe Concerto (1990/1) with soloist Heinz Holliger, and Brahms Double Concerto with Liviu Casleanu and Christian Brunnert (773666)

CHICAGO

Lyric Opera 19.30 Bruno Bartoletti conducts Robert Carsen's *production of Mefistofele, with a* cast led by Samuel Ramey, Aprile Millo and Mary Jane Johnson. Further performances on Sep 21, 24, 27, 30, Oct 4, 7 (332 2244)

FRANKFURT

Alte Oper 20.00 Moscow Chamber Academy directed from the violin by Tatiana Grindenko in a programme of music by Lully, Telemann, Vivaldi and others. Tomorrow and Fri: Semyon Bychkov conducts Frankfurt Radio Symphony Orchestra (1340 400)

Kammerspiel 20.00 Strindberg's Miss Julie. Fri, Sat, Sun at Bockenheimer Depot: new production of Goethe's Iphigenie auf Tauris (236061)

English Theater Kaiserstrasse 20.00 The Constant Wife by Somerset Maugham, directed by Martin Harvey. Daily except Monday (242 3160)

THE HAGUE

Danstheater 20.15 Nederlands Dans Theater presents six works by Jiri Kylian, including his new Mozart ballet Petite Mort. A modified version of this programme can also be seen in Den Bosch tomorrow, at the Amsterdam Muziektheater on Fri, Sat and next Tues, and at Utrecht next Wed (360 4930)

LONDON

MUSIC AND DANCE

Sadler's Wells 19.30 Moscow City Ballet production of Giselle. Tomorrow: triple bill. Fri and Sat: Sleeping Beauty (071-278 8916)

Coliseum 19.30 Guido Ajmone-Marsan conducts *Jean-Claude Auvray's production* of La bohème, with Vivian Tierney as Mimi, Joseph Evans as Rodolfo and Alan Opie as Marcello, repeated on Sat. Tomorrow: Werther. Fri: Billy Budd (071-836 3161)

Royal Festival Hall 19.30 Giuseppe Sinopoli conducts the Philharmonia Orchestra in Mahler's First Symphony and Beethoven's Piano Concerto No 5, with Andre Watts. Tomorrow and Sat: Previn conducts the RPO (071-928 8800)

THEATRE

● The Winter's Tale: David *Thacker directs Shakespeare's* play with Trevor Eve as Leontes, Sarah Jane Fenton as Perdita and Brian Protheroe as Polixines. Runs till Oct 19 (Young Vick 071-928 6363).

● The Comedy of Errors: a colourful, camp Royal Shakespeare Company production directed by Ian Judge. Tonight, tomorrow, Fri and Sat are the final performances of the production's current run (Barbican 071-638 8891).

● Troilus and Cressida: Shakespeare's caustic vision of love and war staged by Sam Mendes, with a cast led by Ralph Fiennes and Amanda Root. Runs till Sat. No RSC performances on Mon, Tues and Wed next week (The Pit 071-638 8891).

● For ticket information about *all West End shows, phone* Theatreline from anywhere in the UK: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962

LYON

Lyon's first Biennale of French Music, a successor to the Berlioz Festival of the 1980s, opens tomorrow *at the Auditorium* Maurice Ravel, with a concert by the Orchestre Révolutionnaire et Romantique conducted by John Eliot Gardiner. The programme consists of music by Méhul, Cherubini, Boieldieu and Berlioz. Rare orchestral and choral works by Debussy, Chausson and Caplet are featured in the concert on Friday conducted by Marek Janowski. Michel Plasson conducts Gounod's oratorio Mors et Vita on Saturday morning, followed by a staged production of Berlioz's Béatrice et Bénédict in the evening, *with a cast led by Danielle Borst* and Gabriel Bacquier, conducted by John Nelson (repeated next Wed). Among the other artists taking part in this 10-day survey of French music are Martha Argerich, Manuel Rosenthal, Peter Eötvös, Nikita Magaloff and Nelson Freire (La Maison de Lyon, Place Bellecour, 69002 Lyon. Tel 7240 2626)

MUNICH

Staatsoper 19.00 The 1991-92 season opens with a revival of August Everding's production of Die Zauberflöte conducted by Heinz Fricke, also Sat. Tomorrow: Pinchas Steinberg conducts Pet Halmen's production of Nabucco, with Julia Varady as Abigaille, *repeated on Sun (221316)*

NEW YORK

MUSIC

New York State Theater 20.00 Frank Loesser's 1956 musical The Most Happy Fella, with a cast led by Louis Quilico, also Sat. Tomorrow: Le nozze di Figaro. Fri: Korngold's Die tote Stadt (870 5570)

OFF BROADWAY THEATRE

● The Matchmaker: Dorothy Loudon stars in a revival of the Thornton Wilder comedy, directed by Lonny Price. Closes Sun (Roundabout Theater, 100 E. 17th St., 420-1883).

● Line: Israel Horovitz's long-running play about five people who want to be first in line, every Wed, Sat and Sun. In repertory with I-Land, excerpted from Sonia Picer's novel about the ups and downs of daily life in Manhattan, every Thurs and Fri (Thirteenth Street Theater, 50 W. 13th St., 675-6677).

● Tony 'n' Tina's Wedding: a wedding at St John's Church, 81 Christopher Street; then a reception at 147 Waverly Place, with Italian buffet, champagne and wedding cake. Rick Pasqualone and Sharon Angela are the happy couple (279-4200).

● Forbidden Broadway 1991: Gerard Alessandrini's parody of the hits and flops of Broadway (Theater East, 211 E. 60th St., 838-9090).

● Ticketron answers inquiries and sells tickets (246-0102)

PARIS

Opéra Bastille 19.30 Jonathan Darlington conducts Le nozze di Figaro with Jorma Hynninen as *the Count, Francoise Pollet as the* Countess and Maria Bayo as Susanna. Further performances on Sep 20, 24, 26, 30, Oct 2 (4001 1616)

STOCKHOLM

Royal Opera 20.00 Royal Ballet triple bill conducted by Mark Ermler: Natalia Makarova's *production of La Bayadère, plus* works by Béjart and Birgit Cullberg. Fri: Johann Gottlieb Naumann's Swedish opera Gustav Vasa (1786), with a cast led by Nicolai Gedda. Sat: Siegfried Kohler conducts Die Zauberflöte, with Solveig Kringlebotn as Pamina (248240)

Konserthuset 19.30 Kurt Sanderling conducts the Stockholm Philharmonic Orchestra in Schubert's Ninth Symphony and Strauss' Four Last Songs, with Barbara Hendricks. Repeated tomorrow at 19.30 and Sat at 15.00 (244130)

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MONDAY TO FRIDAY

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0600-0630 International Business report

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0500-0530 Moneyline
0800-0830 Moneyline
1230-1300 CNN Market Watch
1330-1400 Business Day
2000-2030 World Business Today - a joint FT/CNN production with a review of the day's major business *stories with Grant Perry and* Colin Chapman
2300-2330 World Business Today
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Sky News
1200 International Business Report
2130 (Thurs) Financial Times Business Weekly

SATURDAY

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0800-0830 Moneyline
0900-0930 World Business Today - a joint FT/CNN production
1540-1610 Moneyweek
1900-1930 World Business This Week
2110-2140 Your Money

SUNDAY

Superchannel
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1930-2000 FT Business Weekly
2330-0030 FT Business Weekly

Sky News
1030-1100 FT Business Weekly

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1540-1610 Your Money
1900-1940 Moneyweek
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Wednesday September 18 1991

Less force, not more

EVERYONE must hope that yesterday's ceasefire agreement in Yugoslavia will hold. But no one can feel confident that it will. The terms of the agreement are very similar to those of several previous ones which conspicuously failed to hold.

Two factors might encourage the parties to observe the agreement. One would be a hard-headed assessment of what they stand to gain or lose by further fighting. The Serbs might decide they have already achieved their main territorial objectives; the Croats, knowing they are hopelessly outgunned by the federal army, might well fear being completely overrun if hostilities continue. The other factor would be confidence that the other side is not going to take the offensive.

Civilian monitors have failed to provide that confidence. In other conflicts the job has been done by peacekeeping forces, lightly armed but wielding authority in a buffer zone. Tomorrow member states of the Western European Union will consider sending such a force to Croatia.

They should do so only if asked to do so by all three parties, and convinced that there is a real desire on both sides for the ceasefire to hold. Otherwise the peacekeeping force will end up taking part in the war, as happened to the Multinational Force in Lebanon.

Flawed analogy

Some will argue that that is what it should do. Croatia, they will say, is as much a victim of aggression and occupation as was Kuwait in August last year, and is as much entitled to assistance in asserting its sovereignty and recovering its territorial integrity. But that analogy is flawed, and the precedent is in any case double-edged. Most of the ground fighting against Iraq took place in unpopulated desert. Even so it had to be prepared with a devastating bombing campaign, and was followed by a civil war in Iraq far surpassing in its horror anything yet seen in Yugoslavia. Does anyone seriously imagine that the EC, or the WEU, is ready to inflict that kind of punishment on Serbia, or that WEU troops could involve themselves in fighting in the ethnic maze of Croatia without encountering fierce resistance, and sustaining heavy casualties? Lebanon is indeed a better analogy than Kuwait.

If Croats cannot be defended by external force, should they at least be allowed to acquire arms so that they can defend themselves? It is tempting to say yes. Yet there can be no guarantee that arms, once acquired, would be used responsibly or humanely in a region already bristling with them, where both sides are animated by memories of massacres old and new, and by the desire for revenge. The more likely effect would be to prolong, escalate and yet further envenom the conflict. What is needed is the *dis*armament of the Serb irregulars and the withdrawal of the federal army. The question is how.

Hollow gesture

Recognising Croatia's independence, however morally satisfying, would be a hollow gesture if not followed by practical help. More to the point would be to withdraw recognition from Yugoslavia, a federation which has become nothing more than a cloak for Serbian expansion, and to insist that no Serbian *fait accompli* will be accepted, no government in Belgrade recognised so long as it uses or condones the use of force against any of the former Yugoslav peoples. Neighbouring countries – notably Albania, Greece and Bulgaria, whose concerns about Macedonian independence are well known – should meanwhile be firmly warned against sending troops across the border.

Some economic sanctions against Serbia are already in place. An oil embargo has been suggested. It would require UN authority. The UN Security Council should in any case be convened. The crisis now threatens international peace and security, which is what the Security Council is there to protect, and the head of state, Mr Stipe Mesic, has himself called for UN intervention. Europe, whose regional security institutions are still in an embryonic stage, should not be ashamed to admit, as other regions have done with other problems, that this one is too tough for it to solve on its own.

No bailout in housing

FEW IDEAS are more firmly and insidiously entrenched in the mind of the British populace than the belief that land, bricks and mortar constitute a fail-safe investment. That belief has been buttressed by the determined efforts of politicians to pamper the homeowner with subsidies and fiscal privileges. Yet suddenly this central tenet of British *realpolitik* is beginning to look questionable in a period of pre-electoral fever. Not only has mortgage tax relief been trimmed; mortgage repossessions are threatening to top the 100,000 mark before the year is out. If the government is to re-establish the seriousness of its anti-inflationary credentials beyond reasonable doubt, it is vital that it resists the growing pressure for yet another bail-out in the housing market.

Government bailouts have, in the past, been part of the natural rhythm of the economic cycle. In the aftermath of an excessive expansion of money and credit the authorities have invariably protected the homeowner by inflating their way out of trouble. Moreover, while house prices fell in real terms in the recessions of the mid-1970s and the early 1980s, there was no decline in nominal prices. Homeowners continued to enjoy negative real rates of interest on their mortgages and a more general illusion of asset price stability.

Sacred cow

The unusual, if not unique, feature of the present recession in Britain lies in the fact that nominal house prices have fallen sharply, with declines of up to 30 per cent in some parts of the country coming to be regarded as the norm. Real rates of interest, far from being negative, are still, even after recent rate cuts, at their highest level since the 1930s. Within the exchange rate mechanism (ERM) the government's traditional way of protecting this great sacred cow of British political economy has been barred: devaluation and renewed inflation are out, just as long as disinflation remains central to the government's political platform.

The strength of the government's resolve is now being put to the test by an unprecedented and politically embarrassing rate of repossessions, which are likely to worsen as unemployment rises. And it is not difficult to put a case for assisting the victims of this squeeze, as the Council of Mortgage Lenders did earlier this year. The present problems of the housing market reflect past macro-economic blunders. In encouraging home ownership the government conspicuously failed to educate the electorate in the implications of its financial policies. At a wider level it could be argued that a lack of confidence in housing will hold back economic recovery as accelerating repossessions further undermine house prices and hit the building societies.

Mortgage cushion

The counter-case is that jobless homeowners are already cushioned, after 16 weeks out of work, from mortgage interest payments. Repossessions remain extremely low in relation to a total owner-occupied housing stock of 15m; the shock lies in the novelty rather than the economic significance. It would, in addition, be absurd to have inflicted such a swingeing squeeze on borrowers, only to throw away the disinflationary benefit at the last moment. Breaking the inflationary psychology of the British housing market is an absolute precondition of the kind of low-inflation, enterprise society to which the government aspires through the ERM.

This is hard on those, notably the young, who borrowed up to 100 per cent of the over-inflated value of their homes in the late 1980s. But that merely serves to underline the ill-judged nature of past priorities in housing. People in their early 20s should be renting, not buying prematurely on borrowed money, thereby contributing to the excessive deterioration in Britain's savings ratio and balance of payments in the 1980s. There may be room for some modest humanitarian tinkering with benefits relating to repossession. But apart from killing the myth of home-ownership as a risk-free investment, the government's overwhelming pre- and post-electoral priority in housing should be the revival of the private rented sector.

Roland Rudd on the managerial strategy of the company bidding £703m for Racal

Williams duo face their biggest test

Mr Nigel Rudd, chairman of Williams Holdings, the industrial conglomerate which yesterday launched a hostile takeover for Racal Electronics, was in mischievous form. Tanned from his recent holiday in Portugal, he could not resist remarking how Sir Ernest Harrison, Racal's chairman, was out of the country as news of the bid was announced. "We seem to have caught him on the hop," said Mr Rudd. "Oh dear, he will not be very pleased with us."

Since Sir Ernest was on his way back to England the response to Williams's bid was left to Racal Electronics, which issued a terse one-line statement telling its shareholders not to do anything until further notice.

Yesterday was undoubtedly Mr Rudd's day. But as he was the first to admit, his offer of three new Williams shares for every 20 Racal Electronics shares – valuing the company at £703m – is likely to be rejected by Sir Ernest. The takeover battle has only just begun.

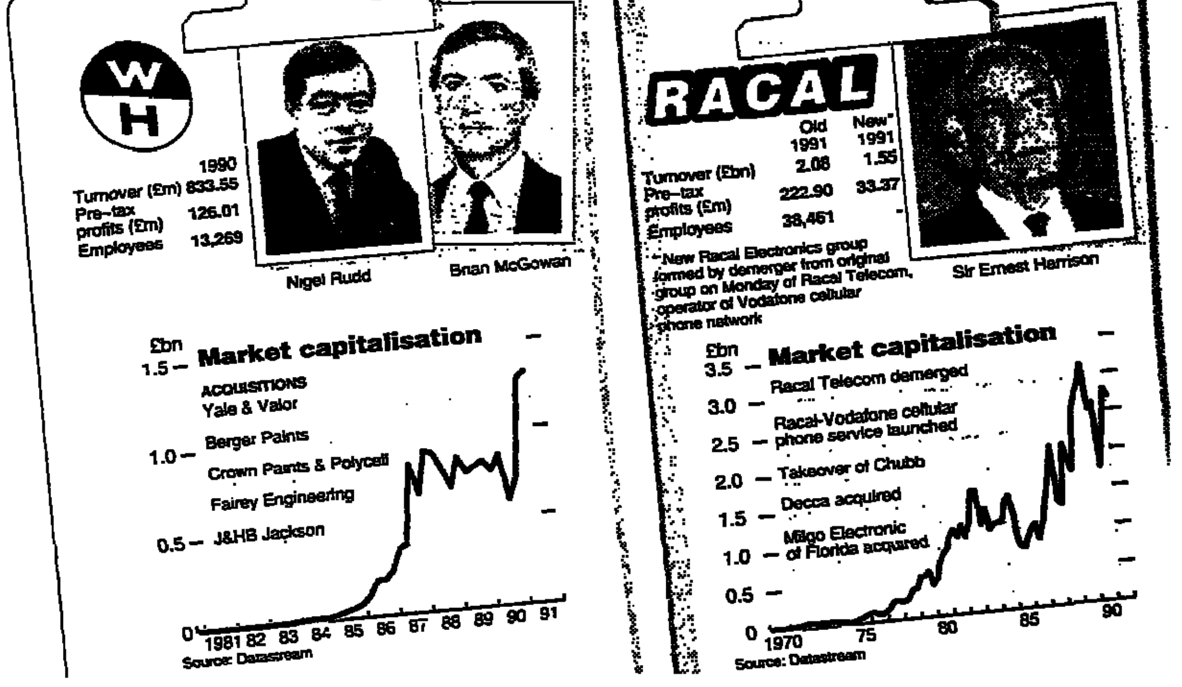
Mr Rudd believes that, notwithstanding the recent dearth of hostile bids, there is nothing out of the ordinary in an industrial conglomerate launching a hostile takeover – even if its target is worth just over a third of its own £2bn-plus market capitalisation. Yet Mr Rudd and his partner, Mr Brian McGowan, chief executive, have come a long way in the past nine years – growing to become a group with international interests ranging from defence to fire protection and domestic security to engineering.

In February 1982, from an office above a garage, the pair bought a majority stake in what Mr Rudd now calls an "awful little company losing money" called Williams and Son Holdings for £400,000. At first, they concentrated on building up assets through acquisition. They bought car dealerships, to build up an earnings stream, and acquired foundries. Williams was born into a bull market, and as the acquisitions grew the City began to take more notice of the pair.

The first big test came when they decided to acquire the Midland scrap dealer J&HB Jackson in 1984. At the time Williams had £10m of assets and £12m of borrowings compared to Jacksons' £20m of assets and £8m of cash. Mr McGowan was determined not to borrow huge sums of money. "I do not like debt – that is the way to to go bust". Thus their bid, worth £30m, was in shares.

It was a technique Williams has used more recently in much bigger deals: its £404m all-share bid in March for Yale and Valor, the US-based security products company, and yesterday's offer for Racal Electronics.

Fear of debt has been a constant theme. It was this which prompted the sale of the Crown Berger paints business for £205m in May 1990, wiping out Williams's borrowings.



Fans of the company point to the fact that between 1982 and 1989 Williams produced continuous profit growth. Recession accounted for the 14 per cent fall in taxable profits in 1990 but by August of this year the company reported a thumping profit increase of 26 per cent to £76.5m for the six months to June.

However, Messrs Rudd and McGowan have had their critics. In the mid-1980s the duo were accused, in a way like Hanson, of being profit or earnings strippers: buying a company cheaply, digesting its profits but doing little to nourish organic growth.

According to Mr Rudd, those critics have been proved wrong because Williams has shown that it can improve both profits and margins of the businesses it acquires. "We are not interested in just stripping out earnings," said Mr Rudd. "We are interested in running businesses. We encourage management to have a fresh look at the company. They are more willing to flog themselves for you if they know you are personally committed to the business. I seem to have an ability to get people to work for me."

A high degree of local management autonomy is backed up by performance-related bonus schemes which can account for more than a third of executive salaries. But decentralisation is tempered by a refusal to accept failure. Mr Rudd warns: "I have to be absolutely ruthless if they fail."

Boosters of the Williams duo see the group's recent results as evidence of their management skills: apart from the overall profit increase, operating margins on retained businesses rose from 15.5 per cent to 17 per cent cent – one of the highest margins of any sizeable UK quoted company.

Mr Rudd and Mr McGowan complement each other. Mr Rudd, ebullient and optimistic, enjoys chatting on the factory floor, but would not interfere with operating decisions. Mr McGowan, who says he loathes cocktail parties, is the organiser who likes "to make things happen".

Mr McGowan is confident of making things happen again Racal. Williams's management, which has just been restructured to take account of the recent acquisition of Yale and Valor, would be reorganised again if its bid for Racal is accepted. Williams could also be forced by the Office of Fair Trading to sell parts of the Racal Chubb retail business because of its strength in that market through its recent acquisition of Yale and Valor.

As to what will happen next, Mr Rudd will only say he is waiting until his "Williams hit squad", led by the group's managing director, Mr Roger Carr, has assessed Racal's businesses. Mr Rudd has less information to give about the business because, since this is not an agreed bid, he has obviously not been able to inspect the company he wants to buy.

Williams has only ever made two hostile bids. Both failed. It pulled out of its bid for McKechnie Brothers, the UK plastics and metals group, in 1986, after McKechnie's board persuaded its shareholders to support its own bid for the Midlands building products business, Newman Tonks; Williams had made a rejection of the bid for Newman a condition for proceeding.

In 1987 it came within a whisker of acquiring Norcros, the building, printing and retailing group, but failed to gain control as a result of its aggressive tactics: it brought its final closing date forward by a month, thereby truncating the whole bid period to five weeks. When the bid expired Williams owned or had received acceptances for 48 per cent of Norcros's shares.

Williams has learned its lesson from that battle. "I think you would have to be pretty brave to try that again," said Mr McGowan.

But the fact that Williams does not intend to set a deadline for its current offer does not mean it is willing to raise the bid or add a cash element for Racal Electronics. Mr McGowan is adamant that the conglomerate will not be pushed into overpaying for Racal. "In the heat of the moment, when you want to acquire another company, it is easy to get carried away," he said.

On the other hand, neither he nor Mr Rudd is prepared to contemplate failure in their latest bid. Although they maintain that that they do not need it to boost profits, they know that if they really want Racal they may have to pay more for it. The question is: will Mr McGowan be able to resist the temptation to pay over the odds.

Electronic growth waves

Guy de Jonquières and **Richard Gourlay** on Racal's progress

If Margaret Thatcher had a mental model of the mould-breaking entrepreneur, it might well have been Sir Ernest Harrison. In his 25 years as head of Racal Electronics, he has steered the company into one profitable growth business after another, thanks to shrewd opportunism and an ability to back vaulting ambitions with aggressive selling drive.

But he never fully managed to dispel the suspicion that he was more salesman than industrialist. Despite sweeping claims, he failed to build the kind of industrial base or create the number of jobs that would have cemented his reputation.

The son of a London docker, he has never worried about trampling on convention. Indeed, he has seemed to delight in ruffling the industrial and financial establishments with a brash pride in Racal's achievements which often verges on arrogance.

The City has responded equivocally. Many analysts have questioned how much substance lay behind the hype, particularly since the company seemed to lose momentum in the late 1980s. But in Racal's halcyon days, particularly the 1970s, their fulsome recommendations helped power the company's shares to dizzy heights.

Racal employees, by contrast, have never shown any doubts. Sir Ernest's pugnacious style and his evangelical addresses to his troops – coupled with a prodigious enthusiasm for corporate hospitality – have earned him unshakeable loyalty.

An accountant by training, he joined Racal in 1951, when it had 12 employees, becoming chairman in 1966. Two years later, Racal acquired Controls and Communications, a small UK defence communications business, paving its entry into the tactical military radio business.

Racal concentrated on supplying huge volumes of basic equipment to developing countries, mainly in the Middle East. Its meteoric success was reflected in soaring profits and several Queen's Awards for exports in the 1970s. Early in Mrs Thatcher's premiership, Harrison was rewarded with a knighthood.

Well before military radio sales peaked, Sir Ernest was charting Racal's next growth phase, in data transmission equipment. Using US acquisitions as a springboard, it rode the booming market for inter-company computerised communications until increased competition and technological change drove the profit out of the business.

Racal's third big growth period began in 1983, when it won a licence to build and operate a nationwide cellular telephone network in competition with British Telecom. The profitability of cellular telephone systems exceeded all expectations, as Vodafone's £3bn capitalisation bears witness – though Racal's forecasts that it would create many manufacturing jobs were never fulfilled.

Racal also made two sizeable UK takeovers – of Decca, a defence electronics company, in 1980, and of Chubb, a security company, in 1984.

Though sometimes derided as a super-salesman who invested little in research, Sir Ernest has shown a sure knack for spotting emerging applications for electronic technology. Not all have paid off: Racal's much-trumpeted diversifications into marine oil exploration techniques and computer-aided design came to little.

One reason why Racal may have failed was that Sir Ernest and his management team spent too much time on the successful Vodafone business, denying the other businesses the attention they needed.

These failures served only to increase the divergence between Sir Ernest's view of Racal and the City's. By late 1990, he was deeply frustrated with what he saw as the market's consistent undervaluation of the non-Vodafone parts of Racal. So low had the value of these parts sunk that speculation about a bid for the company surfaced again.

Sir Ernest's solution, after a hastily convened board meeting last November, was to embark on one of the biggest corporate demergers.

The original plan included distribution to shareholders of Racal Electronics' stake in Racal Telecom, the operator of the cellular phone network; flotation of Chubb, the security and locks business; and a management buy-out of the "rump" that was left. But as the complexity of such a demerger emerged, Sir Ernest had to reduce its scope sharply.

Shorn of the buy-out plans and the difficult Chubb flotation, the only question was how investors would value the Racal "rump".

As the rise in the share price showed ahead of the demerger on Monday, Sir Ernest's decision has been vindicated as a move to lift shareholder value. A company the market implicitly valued at next to nothing a year ago, yesterday attracted a bid worth £703m. But the demerger also triggered the very bid Sir Ernest had been trying to avoid.

OBSERVER

Diplomatic rebound

■ Events in the Soviet Union have taken some remarkable turns in the last month. Among the most surprising is the news that due to arrive in London from Moscow last night – apparently to resume his old job as Soviet Ambassador – was none other than Leonid Zamyatin.

Zamyatin left the UK at the end of August under something of a cloud. On the morning after the coup, he suggested rather publicly that it might be constitutional and that President Gorbachev was indeed not well. Later attempts to deny this were not very successful, largely because of the existence of tape recordings of what he had said.

As a former press spokesman for President Brezhnev, Zamyatin was sent to London in 1985 by Gorbachev as an honourable sort of exile. But it was no secret that he always kept contact with his old friends at home, so his apparent support for the coup was no real surprise; nor, therefore, his recall two weeks later.

There was a lot of mystery last night over why he was returning, and for how long. The foreign office, diplomatically, could only confirm he was coming back, which was more than the British embassy in Moscow apparently knew a few hours earlier.

But it is understood (as they say in the diplomatic trade) that when Douglas Hurd was in Moscow with Gorbachev and new foreign minister Boris Pankin, he expressed hopes that a new ambassador would be in place sooner rather than later. Pankin would perhaps have been sympathetic to this idea, since he had been plucked from the relative obscurity of the embassy in Prague ostensibly on the grounds that he had publicly spoken out against the coup.

At the Soviet embassy, where Zamyatin's departure had not passed without the sinking of the odd glass, there was diplomatic silence. So perhaps he is coming back briefly, just to pack up. Then again, softly slipping away is not in Zamyatin's character.

Right on

■ The best time for a coup is when the figure to be toppled is on an overseas trip. So this might not have been the wisest moment for Ruth Richardson, New Zealand's hardline finance minister, to be on a tour of Europe and the US.

Her dismantling of the welfare state has resulted in popularity ratings dipping to a low of 17 per cent for the governing National Party. Her tough monetarism is blamed for record unemployment – 10 per cent – and waves of business closures.

In London this week, she told the Institute of Directors that, now her policies were active, she had two years and two months "to get the politics right." The party has to go to the country again in 1993.

Her party may well have time; but perhaps she may not. The indications are Prime Minister Jim Bolger may be planning to use her absence to get the politics right – by a cabinet re-shuffle.

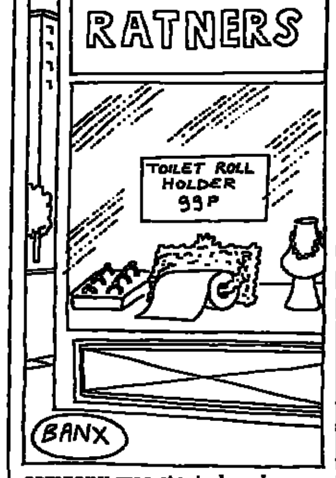
Strong swimmer

■ Within every low-key story is a cornucopia of interest. Ray Parsons, long in the tooth but still active executive chairman of Bowthorpe Holdings, the electronic and electrical components manufacturer, is retiring at the end of this year. Today he is due to present his last set of interim results.

Nothing too startling there, except that Parsons has been with Bowthorpe 55 years, joining it at age 15 when the company was started up by Jack Bowthorpe, in 1936. Parsons was the first employee. Moreover, under Parsons' careful eye, Bowthorpe has registered 15 continuous years of record profits. 1988's pre-tax profits stood at a healthy £40.1m.

Managing director John Westhead has described Bowthorpe's successful niche marketing, effectively ruling out heavyweight competition, as "walking at the feet of the elephant". Tony Vice, director of Rothschilds, is chairman designate.

While retirement will give him more time to enjoy golf, swimming and football, Parsons is to continue minding the shop as life president. Observer wishes him many more goals.



High flier

■ Liam Strong is a man in a hurry. After climbing the corporate ladder at Reckitt and Colman, he was seen by many as the most likely candidate to become chief executive at British Airways where, until yesterday at least, he was head of marketing and operations.

At 46, this northern Irish graduate in philosophy and psychology was widely tipped as favourite to take over from Sir Colin Marshall, when and if BA's chief executive moved on to the chairmanship of the UK flagcarrier.

But with the veteran Lord King showing no signs of considering retirement and Sir Colin remaining in the chief executive slot, Strong clearly could not resist the challenge of becoming chief executive of the £2bn a year Sears retailing group.

Strong, a polished corporate player with a sharp efficient manner and considerable consumer marketing expertise, will take over as chief executive of the Selfridges to Dolcis retailing combine from Michael Pickard next March.

After masterminding the "world's biggest offer" for BA this year, when the airline flew all its passengers free on April 23 to celebrate St George's Day, Strong leaves BA at a time when the carrier is facing fierce competition in a still sluggish post Gulf war air transport market. He is being replaced at BA by Bob Ayling, the 44-year-old director of legal affairs and human resources.

Early bird

■ Observer has been forced to hang out its little red string on which to place Christmas cards, even though there are still more than 90 shopping days to go. The first card thudded onto the mat yesterday morning.

But far from heart-warmingly proffering an altruistic season's greetings, it turned out to be an advertising ploy for a housebuilder based in Birmingham. Buy a house; get a free turkey, pudding and choice of gifts.

Chocolate addicts could soon be in luck. If the recession persists, estate agents might offer free Easter eggs in November.

LETTERS

Why Georgia believes that its case for independence is overwhelming

From Mr Tedo Japaridze.

Sir, It seems a pity that the reports on Georgia's desire for independence from the Soviet Union focus so much on local colour (though we are admittedly a colourful people) and so little on Georgia's overwhelming case for recognition of our independence, an issue on which virtually all Georgians *stand united*.

May I therefore ask that your readers be informed of the following facts that were missing from Leyla Boulton's story on the subject ("Georgia's independence crusade turns into farce", September 11), but which might help your readers understand us better?

First, Georgians are not Russians. Georgia has been a definable nation for well over 2,000 years, with its own language, literature, history and culture. We are all intensely proud of this heritage, which has not diminished despite various foreign invasions over the centuries.

After the collapse of tsarist Russia, which had been our most recent occupier, we again celebrated the restoration of our independence. By 1921 all the major nations of Europe recognised our sovereignty, as did the League of Nations – and even the Soviet Union.

Unfortunately, our freedom was short-lived, as the Red Army invaded Georgia the same year and the Soviet Union announced its official annexation of Georgia in 1922.

After 70 painful years of Soviet rule, the Soviet Union has collapsed and we are now simply asking for our country back. Under international law, we already meet every requirement for recognition of our sovereignty. We have officially requested recognition from the United Nations, United States and other countries.

Beyond the legal criteria, we believe we have an even more compelling moral case for recognition. Georgia was one of the chief targets of Stalin's purges. Over 200,000 Georgians were murdered. Hundreds of thousands more were deported. A whole generation of leaders, lawyers, writers, teachers and other intellectuals was virtually destroyed.

There is hardly a family in Georgia that does not have bitter memories of this period. Most of us lost one or more members of our family.

Soviet brutality towards Georgia continued as late as 1989, when the Red Army killed 20 innocent civilians in the Georgian capital. Their only crime was they were peacefully demonstrating for independence. In a referendum in March of this year, the Georgian people voted overwhelmingly for independence. And the following month our independence was officially proclaimed.

There is no question that we Georgian people deeply want our independence restored and that we meet all established criteria for recognition, including economic viability.

Unfortunately, it seems that many western leaders are now so anxious to prop up what remains of the Soviet Union that they are withholding recognition of Georgia's independence as a concession to Moscow. And there is certainly evidence that Moscow has had a heavy hand in the recent disturbances in Georgia, presumably to create the impression around the world that Georgia is not ready for independence.

The fact is that we have been ready for restoration of our independence since the first Red Army troops marched into our country in 1921. Indeed, history may show the west's current prevarication on recognising our sovereignty as the true "tragic farce" of our time.

Mr Tedo Japaridze,
deputy foreign minister,
Republic of Georgia,
4 Chitadze Street,
Tbilisi 380018

Outfoxed

From Mr S Ware-Lane.

Sir, In response to Observer's search ("Gone to earth", *September 16*) for ways to rid inner London of its fox nuisance, may I suggest two possible methods: 1. Place the minced meat (referred to by Observer) on a house brick and sprinkle with pepper. When the fox eats the mince, he will, inevitably, sneeze and thus knock himself out on the house brick. He can then be collected in a dazed condition; 2. Alternatively, I could hire out our gamekeeper to interested readers for £200 a day to lay intricate traps to catch said fox.

S Ware-Lane,
Roundwood,
Micheldever, Hants SO21 3BA

Discrimination comes of age

From Mr John Farago.

Sir, In "Declarations put into practice" (September 16), Diane Summers points out that many of the principles set out in the Commission for Racial Equality's recently published best practice guide to monitoring and achieving racial equality in employment, can be applied equally to the issue of sexual equality.

She fails to mention that the principles could also be applied to age discrimination in recruitment, training and advancement, which (unlike the US) is legally permitted in the UK.

Adequate monitoring, beyond that envisaged by the CRE, would not merely uncover prejudice and unfair practice, but might reveal the unacceptable economic loss to those organisations that fail to eliminate unfair discrimination.

Millions of willing men and women, doing work which does not use their capabilities and potential, or forced to draw pensions or unemployment benefit (or prevented by "the system" from claiming either), are prevented from making their optimum contribution to society due to discrimination against their race, sex or age.

John Farago,
OFFER,
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Fax service

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Taking issue on national savings targets and balance of payments

From Mr M R Weale.

Sir, Samuel Brittan (Economic Viewpoint, September 12) criticises a national savings target on the grounds that companies and individuals should be left to sort out the consequences of their own actions. The use of a national savings target as a guide to policy will not prevent this and is not intended to prevent this. It is not the case that taxes will be raised to bail out the debtors, but simply that the macroeconomic effects of low saving will be avoided.

In the late 1980s the combination of the consumer boom and the pursuit of a budgetary target has led to a situation where many businesses and individuals have had to grapple with high interest rates not because they have mishandled their own affairs but because other people have. Interest rates may have risen slightly more for those who have attempted to live beyond their means but they rose for everyone.

It is this externality which the national savings target is intended to address. As the aftermath of Mr Lawson has shown this cannot be dealt with by telling the government to balance its own budget.

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From Professor A P Thirlwall.

Sir, Samuel Brittan has written yet another article (September 12) on why he thinks the current account of the balance of payments doesn't matter for a country's economic performance. This time, though, it is supposed to be the definitive statement, for he says "It has taken several years to prepare the above few sentences, and interested readers might consider reading them several times in a moment of quiet".

He claims at last to appreciate the basic difference between those economists who take the idea of a balance of payments constraint for an advanced capitalist country seriously and those who do not. After several readings in the quiet, I understand his *laissez-faire* viewpoint, but he has inadvertently written himself into the opposition camp without realising it.

After red herrings, such as faulty statistics and increases in the market value of overseas assets, his dismissal of the importance of the current account of the balance of payments rests on the liberal belief that balance of payments deficits and associated borrowing are self-correcting in the same manner as excess domestic borrowing.

He doesn't once mention the mechanism of correction. Excessive borrowing is corrected by deflation and high interest rates (determined by the government) which have social repercussions or externalities extending far beyond the free choice exercised by economic agents concerning how much they wish to spend and borrow from abroad.

Samuel Brittan recognises a currency problem and so falls into the opposition camp, because he concedes that currency stabilisation is likely to involve high unemployment. That is exactly the point of the latter-day mercantalists; that balance of payments weakness has implications for the real economy because high interest rates retard growth and cause unemployment.

It turns out that the difference between Samuel Brittan and those who stress the importance of the balance between exports and imports for a healthy economy hinges on the efficacy of devaluation and on the Keynes versus Classics debate on the relation between wage rates and employment at the macro level.

But it is not sufficient then to say that the balance of payments problem is, therefore, one either of the exchange rate or of excessive wages because we know from economic theory and experience that neither devaluation nor wage rate reductions can guarantee balance of payments equilibrium and full employment.

Perhaps one day Samuel Brittan will recognise that Britain has a payments problem of a much more deep-seated structural nature which can be an independent constraint on real economic performance.

A P Thirlwall,
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PERSONAL VIEW

Making the Community fit to welcome new members

By Frank Vibert

By the end of the decade the 12 member states of the European Community should be joined by at least another 10, an enlargement accelerated in part by recent events in the Soviet Union.

Sweden and Austria have applied for membership; Norway and Finland, and possibly Iceland, can be expected to follow suit; Poland, Hungary and the Czech and Slovak federal republic have stated that forms of association cannot be a substitute for full membership. Switzerland may not wish to be left out. The EC increasingly sees it as in its own best interest to admit Turkey. The wish of Cyprus and Malta to join will need to be considered. Other newly independent countries in central and eastern Europe will also be in the queue.

However, the institutions and rules suitable for a Community of 22 or more will differ from those appropriate for a Community of 12.

First, there will be a greater burden placed on the European Council and the Council of Ministers to provide political direction and cohesion. One suggestion is that the Council should sit as a permanent body (possibly at the deputy prime minister level). But this will be difficult to integrate into the cabinet structures of member states.

An alternative would be to set up a smaller managing council as a sub-body of the full Councils. This would be composed of a permanent membership for the big five with three rotating members representing the other 17. But smaller member states may question such an arrangement. A variant would be for the managing council concept to be invoked only at times when the full Council decides that crisis management is called for, such as in the event of a foreign policy crisis or a Community budget or trade issue.

Second, there will be problems with "coercive" decision-taking in the Community if majority voting means that more member states can be overruled. The dilemma is that a unanimity requirement could produce paralysis.

One approach to this dilemma is to continue to restrict the operation of majority voting. A second option is to maintain the current "blocking minority" even in the larger Community. Another approach is to allow member states that are overruled to "opt out" of the policy concerned.

Third, there will be a greater need for an efficient civil service structure for the EC. This will involve radical change for the Commission. Important functions, such as competition policy, will need to be handled by specialist agencies rather than by the multi-purpose Commission. The structures will need to make a distinction between political decision-taking by the Councils and the administration of policy by agencies.

Fourth, the European Parliament will lose credibility as a decision-taking forum. A proportionate increase in its membership will make it unwieldy. Conversely, an increase in size and cut in the number of representatives from individual member states will make it seem too remote from public opinion to be entrusted with legislative functions.

Fifth, the need for economic logic to underpin net financial transfers within the Community will become even more pressing. Of the 10 potential new member states identified above, five should (on rational economic criteria) become net contributors to EC programmes (the Nordic entrants and Austria and Switzerland). The others should become net recipients. Under present policies there is not only no guarantee of such an outcome but every prospect of an aggravation of existing inequities.

Finally, the absurdity of the doctrine of the *"acquis communautaire"*, under which each new member state should accept existing Community policies, is already apparent. It would be illogical to impose policies and procedures which do not work well on new members. In any event a larger Community will simply have to do things differently.

The current inter-governmental conference on European political union does not have enlargement on its agenda. Nevertheless, some of the institutional changes likely to emerge from the talks could be helpful for an enlarged Community – for example, the explicit recognition of the role of the European Council as well as arrangements for co-operating in foreign policy.

At the same time, there is a need to avoid adopting measures that will make enlargement more difficult. The provisions in the draft treaty on political union to enshrine the doctrine of the *acquis communautaire*, and to amend the EC treaty so as to extend the scope of majority voting and to give more political powers to the Commission are examples of proposals that will not be suited to the Community of 22 or more.

There are some member states which argue that a reformed Soviet Union will enable other central and east European states to stay outside the EC. However, this will lead to divisions in Europe. Thus, a new European agenda is needed for a larger Community. The constitutional framework for this enlarged Community must be approached with much greater care than has gone into the preparation for the current institutional discussions.

The speeding up of association agreements in recognition of the new urgency is not enough. Accelerated negotiations for membership of all potential new entrants should start in 1992.

Moreover, the preparation of institutional arrangements and new decision-taking rules for an enlarged Community should take into account the views of prospective new member states. For new members to be presented with a *fait accompli* is a poor basis for constructing durable institutions for the wider political union now desirable in Europe.

The author is deputy director of the Institute of Economic Affairs.

Edward Mortimer

Saddam weathers the storm

The Iraqi president is reasserting control and testing the limits on his freedom of action as the world's attention shifts elsewhere

FOREIGN AFFAIRS

President Saddam Hussein is alive and well and up to his old tricks.

● He has broken off negotiations with the Kurds and resumed hostilities against them, including air attacks north of the 36th parallel, in the area supposedly made safe by the allied intervention in the spring. This prompted an appeal last week to the British prime minister from Mr Jalal Talabani, one of the two main Kurdish leaders. Mr Talabani's claims were at first greeted with scepticism by British and US officials, but have now been confirmed.

● Mr Saddam has objected to conditions fixed last month by the UN Security Council for the sale of Iraqi oil to pay for food and medical supplies desperately needed by the Iraqi people, claiming that the proposed escrow account into which the oil revenues would be paid is an infringement of Iraqi sovereignty. The UN representative, Prince Sadruddin Aga Khan, sees this as preparing the ground for "a possible refusal to go along with 'intrusive' arrangements for oil sales and monitoring of the distribution of food and medical supplies".

● Last week Mr Saddam provoked the withdrawal of the UN inspection team investigating his nuclear and unconventional weapons capability, by insisting that henceforth the team would not be allowed to use its own helicopters but must rely on those provided by the Iraqi armed forces.

● Also last week, Mr Saddam fired the prime minister, Mr Saadoun Hammadi, whom he had appointed after the end of the Gulf war. Mr Hammadi was "the acceptable face of Baathism", for those to whom such a concept is not a total contradiction. He had convinced some of his interlocutors that Mr Saddam was sincere in wishing to introduce a more liberal and democratic system in Iraq.

Yesterday, however, Mr Saddam spelt out clearly and publicly something that most of us had long understood: there is no place for western-style democracy in Iraq under his leadership.

Mr Hammadi's dismissal was no mere reshuffle because he has also been dropped from the Revolution Command Council, the supreme body in the country; and his successor, Mr Mohammad Hamza al-Zubeidi, is a man who previously specialised in the provision of weapons for political assassinations.

All these actions suggest that Mr Saddam believes the immediate post-war period is now over. He has weathered the storm. Most of the coalition forces have gone home. Now, he must think, is the time to reassert his control of the country by familiar methods and to cock a snook at those "imperialists" in the outside world who still believe they can interfere in Iraq's internal affairs.

Or at least he is testing the limits on his freedom of action, in the hope that he can gradually whittle them away, as the attention of the world shifts elsewhere and people get used to the idea that he is going to remain in power.

This is a challenge the world cannot afford to ignore. Indeed, there are encouraging signs that, at least on the matter of the UN inspection teams, it is not going to. On Monday it emerged that the US had drawn up plans to send armed multinational escorts to protect the teams and was prepared to issue a new ultimatum to Iraq through the UN Security Council. Mr Saddam promptly backed down at least part of the way, offering to allow UN helicopters inside Iraq, but warning that they should not "compromise Iraq's national security", notably by flying over certain areas of Baghdad.

It is suggested that this proviso stems from Mr Saddam's fears for his personal safety. But one thing he has been very good at up to now has been concealing his whereabouts, and neither during nor since the war have the allies been willing to designate him as a target. By contrast, his own record of deceit and attempts to conceal his weapons programmes, in violation both of the ceasefire terms and of the nuclear non-proliferation treaty to which Iraq is a signatory, is massive and eloquent. He has no standing whatever to make stipulations or place limits on verification procedures, and should not be allowed to.

More insidious is the argument over Iraq's humanitarian needs. There is no doubt that these are real. Both official and unofficial reports have detailed the shortages of food and medical supplies, of power generating and water treatment facilities, the high incidence of diarrhoea, the telltale signs of incipient epidemics.

It is not 'Iraq' that is looking for a pretext to reject UN humanitarian measures, but Mr Saddam and his regime — and they are quite unrepresentative of the country

"Iraq's men, women and children," writes Prince Sadruddin in the New York Times, "should not continue to pay the price of a war they did not cause."

He goes on, quite rightly, to put the blame for this appalling situation where it clearly belongs: "It is hardly humanitarian that the Baghdad authorities should arrogate to themselves the choice of disease and hunger over compliance with UN requirements. It is their sovereignty – but their people's starvation." Yet he then proceeds to argue that the UN should back down, so that "Iraq should not be handed a pretext to reject the entire UN package as an unwarranted straitjacket, with the effect of paralysing the United Nations' humanitarian operation".

This argument will not do. In the first place, it is not "Iraq" that is looking for a pretext but Mr Saddam and his regime. That may sound like a piece of frivolous pedantry. Using a country's name to designate its government is a familiar enough piece of journalistic shorthand. But it can be a dangerous one, if it lulls us into forgetting that the government in question is actually quite unrepresentative of the country. In the case of Iraq it is especially inappropriate because the UN has found itself obliged to distinguish juridically between the country and the regime, in a manner previously reserved for the whites-only regime in South Africa.

In Resolution 706, passed on August 15, the Security Council ordered the establishment of the escrow account and the drawing up of "a scheme for the purchase of foodstuffs, medicines and materials and supplies for essential civilian needs . . . and for all feasible and appropriate United Nations monitoring and supervision for the purpose of assuring their equitable distribution to meet humanitarian needs in all regions of Iraq and to all categories of the Iraqi civilian population".

That resolution has been summarised not inaccurately as placing Iraq effectively under UN trusteeship. It is discouraging, therefore, that the man responsible for supervising the UN's humanitarian efforts in Iraq still refers to Mr Saddam's regime as if it were synonymous with the country on which it has inflicted such terrible damage.

Second, Mr Saddam is quite capable of finding pretexts for anything he wants to do, or indeed of acting without pretext. If he objects to the escrow account, it is because he wants to get his hands on the money for his own purposes. If he refuses to sell oil, the UN should seize Iraq's ample financial assets in western banks, along with those of Mr Saddam himself and his family, and use them to purchase the food and medicine that is needed.

No doubt many others have outstanding claims against Mr Saddam, but the UN, which represents the world community and has undertaken the task of redressing as far as possible the damage Mr Saddam has done, should surely have first claim on his wealth to defray its own expenses.

FINANCIAL TIMES
Wednesday September 18 1991

Efforts to contain runaway costs of disability benefits provoke nationwide unrest

Dutch strike in protest at welfare cuts

By Ronald Van De Krol in Amsterdam

DUTCH UNIONS staged a nationwide strike yesterday in protest at far-reaching changes to the welfare system contained in the 1992 budget.

Public transport in Amsterdam, Utrecht and Rotterdam was halted while Queen Beatrix read out the government's speech in the Hall of Knights in The Hague.

Tens of thousands of workers in the ports of Amsterdam and Rotterdam and at hospitals, universities, post offices and companies nationwide stopped work for several hours to watch the proceedings on television.

The protests were against government efforts to rein in the runaway growth of the disability benefits scheme, one of the mainstays of the Dutch welfare state.

Currently, for every person in employment, another is drawing some form of state benefit – including old-age pensions. This accounts for the high burden of taxes and social premiums in the Netherlands.

Despite the relative fall in the budget deficit, the Netherlands remains one of the most heavily indebted countries in the west, with state debt well above Fl 300bn ($157bn) – more than 70 per cent of national income.

To reduce state spending, the government announced in July plans to alter the disability benefits scheme, a social-security programme which has swollen over the years to cover nearly 1m people in a country of fewer than 15m.

The scheme covers victims of industrial accidents and those suffering from stress as a result of work conflicts or personal problems. Because disability benefits are far more generous than unemployment benefit, employees and employers alike have used the scheme, known by its Dutch initials WAO, to soften the blow of unemployment.

The proposed changes – which limit the number of years of entitlement – led to a storm of protest, culminating in yesterday's strikes. Although the government's original proposals were slightly watered down in August, they remain one of the most radical reforms of the welfare state since its inception in the 1960s.

The WAO controversy is particularly troublesome for Mr Wim Kok, the finance minister and leader of the Labour party, which rules in coalition with the Christian Democrats of Mr Ruud Lubbers, the prime minister. Labour supporters have criticised the disability benefit reforms but Mr Kok has remained firm, saying changes are needed to save costs.

The budget itself contained few surprises. The government said it would cut the deficit to 4.25 per cent of net national income in 1992 from a projected 4.75 per cent in 1991.

It noted that economic conditions were worsening, with growth forecast to slow to 1 per cent in 1992 from around 2.25 per cent this year.

Picture Terry Kirk

Toshiki Kaifu – figurehead prime minister for Takeshita

Japanese premier under attack by his own party

Stefan Wagstyl in Tokyo on why public popularity is not enough

JAPANESE politicians usually do their dirty work in private but the enemies of Mr Toshiki Kaifu, the prime minister, have no qualms about turning on him in public.

Even though Mr Kaifu's term does not end for another six weeks, the fight for the succession as leader of the ruling Liberal Democrats has already begun in earnest.

Mr Kaifu was put into office as a figurehead prime minister by the ruling party's largest faction, whose de facto leader is Mr Noboru Takeshita, a former prime minister. Mr Takeshita, who wields power behind the scenes, has been so pleased with the arrangement that he is considering putting Mr Kaifu forward for a second term.

Other faction leaders are determined to ensure that Mr Takeshita will not succeed and are making increasingly outspoken attacks on Mr Kaifu in order to force Mr Takeshita into the open.

In the latest incident, an inadvertent remark by Mr Kaifu about lack of political ethics among US politicians has been blown out of all proportion by his enemies.

The offending words slipped out last Friday in parliament when the prime minister was speaking in a debate about political reform proposals, including plans to replace Japan's multi-member constituencies with single-seat ones.

One MP challenged the idea, saying that in the US single-member districts encouraged representatives to pursue narrow local interests. Mr Kaifu answered that American politicians seemed to lack a strong sense of ethics. They were not supposed to spend large amounts of money on electoral expenses but many of them did, he said.

Mr Kaifu was forced to retract his remarks in a statement made to a hastily called press conference in the early hours of Saturday. Yesterday, he apologised in person before parliament, saying he regretted his comments.

One of his few supporters, Mr Sadatoshi Ozato, the labour minister, said he was concerned about how prominently newspapers had displayed stories about Mr Kaifu's comments.

But Mr Kaifu's enemies are unlikely to let the incident fade. Chief among them is Mr Michio Watanabe, a faction leader, who does not hide his own ambition to become prime minister.

In a newspaper interview last week, Mr Watanabe said Mr Kaifu was not the right man to deal with crises such as the Gulf war and the dissolution of the Soviet Union. Mr Kaifu "should finish up and do what he can. Then, for his own sake and the sake of the country wouldn't it be better if we had another leader," Mr Watanabe said.

He suggested that Mr Kaifu's public popularity should not guarantee him staying in office. "Public opinion is important but I don't think politics based solely on public opinion is a good idea."

Mr Watanabe's comments follow similar attacks from other faction leaders comparing Mr Kaifu to a "relief pitcher" sent in to play for Japan when his inexperience and lack of abilities is being fully exposed.

E German building surge boosts hopes for economy

By Christopher Parkes in Bonn

BUILDING orders from eastern Germany surged by 31 per cent in August, providing more evidence to support government optimism about economic prospects.

The increase, following a rise of 15 per cent in July, stems from the need to rebuild and modernise east Germany's dilapidated housing.

One in seven of the region's 7m dwellings is officially uninhabitable, 25 per cent have no bath or shower, and 2m have outside lavatories. Some 60 per cent of the housing stock dates from before the Second World War, compared with only 30 per cent in the west.

The confederation of construction companies, HDB, says it expects orders worth DM90bn ($51.7bn) a year for the next five years. Mr Jürgen Möllemann, economics minister, said last week that 10 per cent growth in the construction industry in the east next year was "wholly realistic".

The government is eager to press ahead with improving living conditions in the east, mainly to stem the flow of people westwards in search of better jobs and homes.

Mrs Ingrid Adam-Schwaetzer, building minister, is planning to build 100,000 homes a year until the turn of the century, and to encourage tenants to buy their homes. Earnings from the sales would help finance building and modernisation.

The Leipzig housing authority, with 150,000 houses and flats on its books, has announced plans to sell 10,000 before 1994. In Frohburg in Saxony, 400 council homes are on the market at a standard rate of DM850 a square metre: about £15,000 for an average apartment.

Tenants, however, are reluctant to buy them until they are modernised. Official estimates put the cost of the cheapest conversion at about DM500 a square metre: £10,000 a home.

The German building industry is already loaded with orders from the west. A housing construction boom has been running for two years since a census discovered that the former Federal Republic needed 1m new homes.

In the first three months of this year, 25,600 new houses and apartments were completed in the west – 8 per cent more than in the first quarter of 1990. Building costs rose an estimated 7 per cent in the same period.

● Lufthansa, the German national airline, has agreed a 4.1 per cent pay increase for its staff. The one-year deal takes effect on October 1.

London to test system for pay-as-you-drive roads

By Richard Tomkins, Transport Correspondent

A LONDON BOROUGH is to test a scheme for charging drivers for the use of its roads on a pay-as-you-drive basis.

The trial by the London Borough of Richmond, to begin by the end of the year, will mark the first public display of an electronic road-pricing system in Europe.

Richmond has decided to host the experiment to see whether charging motorists to use roads will help solve traffic congestion problems. The public will not initially be affected because the trial will be confined to about 100 vehicles belonging to the council and its staff.

The experiment reflects a growing worldwide interest in using road charges to curb traffic growth in areas where space does not permit further road building.

Richmond will unveil its plans today to representatives of central and local government at the National Economic Development Office in London. The system it will use, called Timezone, has been developed by GEC-Marconi, the aerospace and defence electronics subsidiary of Britain's General Electric Company.

The system consists of an electronic meter fixed to the windscreen of the vehicle and a network of transmitters spread around the zone where the charges apply.

Drivers charge their meters in advance with an electronic pre-paid smartcard. When they enter the charging zone, transmitters switch their meters on. The meter then consumes credits until the vehicle stops or leaves the zone.

GEC-Marconi says the cost of the system is commercially confidential, but that on the basis of current parking meter charges – 5p a minute in central London – it would cover its costs in six months.

Richmond is to get the system free. GEC-Marconi said it was applying to recover its costs with a grant from the EC's Dedicated Road Infrastructure for Vehicle Safety in Europe (Drive) programme. Drive subsidises transport research projects.

GEC-Marconi hopes its system will be chosen against those of competing companies as the norm for a world market potentially worth many billions of dollars.

Until now, electronic charges to road users have been confined mainly to the deduction of tolls for the use of motorways, tunnels or bridges. An experimental electronic road-pricing scheme in Hong Kong was abandoned because of political objections.

Clocking up miles, Page 10

Roubles printed 24 hours a day

Continued from Page 1

authorities in the Republic of Uzbekistan, decided to raise the price paid by the state to the cotton farmers from 20 to 44 kopecks per kilo, they merely sent an official to Moscow to ask the State Bank for double the supply of roubles.

Mr Balagurov said that he had suggested that the authorities should organise the sale of commodities nearer to the cotton fields in order to keep the money in circulation, but he doubted that they had done so.

"In this country, there is almost no understanding of the elementary laws of economics. When people in power decided on a project they just told us, 'Get the money for it'. These habits persist."

In one republic, Ukraine, however, the sheer lack of capacity has given the state bank some leverage. The republic now fears that it will run out of roubles by the end of the month, because the republic's central bank has reserves of only Rbs1bn against the Rbs9 to Rbs12bn needed to pay wages by the end of the month.

Mr Balagurov rejected allegations from the republic's leadership that the shortage of money was politically motivated, but he also said that the republic should not expect the State Bank to again come to its aid.

He said that holdings of roubles in the Ukrainian commercial banks had grown from Rbs210m in April to nearly Rbs3bn this month because of unrestrained lending. "The Ukrainian bank must get this money back. It will be hard, but they must work for it." He added that the Ukrainian authorities were using lack of roubles as an excuse to increase demands for their own currency.

Williams launches £703m bid for Racal

Continued from Page 1

Williams' all-share offer follows the precedent set by the company's first major takeover of J&HB Jackson in 1985.

Williams said although it had unused bank lines of £600m, it was extremely conservative and had no desire to increase its gearing beyond the current level of about 30 per cent. Mr Brian McGowan, chief executive, said: "This is not a silly, low first shot for Racal."

The bid raised questions about whether Williams has the management ability to run the non-Chubb business. Some analysts also questioned whether Williams knew exactly what it was buying.

Some analysts also wondered whether the fierce loyalty Sir Ernest has engendered among his staff in businesses over 25 years as chairman of "People just don't leave companies," Mr Rudd said. "We have never had that problem."

Williams has made only two previous hostile bids, neither of which succeeded. It dropped its bid for McKechnie Brothers in 1986, after the plastics and metals group proceeded with a defensive offer for another Newman Tonks, the engineering company. A year later, Williams narrowly failed to win Norcros, the building and printing company.

THE LEX COLUMN

Unlocking Racal value

Sir Ernest Harrison wanted to unlock the value in Racal Electronics with Monday's demerger. Now he must be wondering whether it was too much of a good thing. The £703m paper bid from Williams is unlikely to succeed in its present form, but the genie is out of the bottle. The problem for investors is that a bid premium is now so clearly in the Racal price that the market is no closer to an objective valuation of the company than it was before the demerger.

At one level Williams looks like a natural buyer. Racal meets its usual criterion of being a loosely-managed company with scope for margin enhancement. There is a closer fit between some of the businesses than initially meets the eye. But Williams would have to dispose of the Chubb brand name to satisfy the UK competition authorities. There must also be doubt about whether even it can push Racal's margins up fast enough to justify a bid multiple of nearly 22 times current earnings.

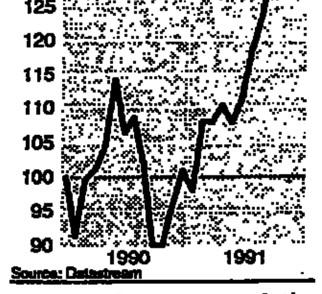
Admittedly, it may make more sense to value Racal against turnover rather than earnings. By that yardstick, the top price looks well over 60p. By bidding up Racal's shares as it did yesterday, the market is clearly expecting more than the 50½p which the Williams offer represented at the close. But Williams's resources are limited. Investors have an aversion to absorbing much more of its paper, while its own professed reluctance to incur debt leaves it little leeway for offering cash.

Much depends on whether another bidder can be persuaded to enter the fray, though it would take some nerve at what look like increasingly rarified prices. Perhaps the eventual solution would be for Sir Ernest to sell Chubb before Williams can lay its hands on it. That would leave a smaller rump which Racal management would be better-placed to buy. But he had better hurry.

FT-SE Index: 2,594.4 (-11.6)

Williams Holdings

Share price relative to the FT-A All-Share Index



Source: Datastream

Takeovers

It almost feels like the old days, with Hanson, Williams and BTR all back in the takeover game. Conglomerates, though, have to make bids to keep their profits moving ahead. The question for the rest of the UK corporate sector is whether the opportunistic bids of the last two days will finally usher in a new era of merger activity.

One effect of the recession has been to widen the gap between the strong and the weak. There will no doubt be many self-confident chairmen eyeing up a strong share price, sizing up a vulnerable competitor, and calculating the potential boost to earnings per share over the next couple of years. The difficulty, though, remains that of calling the bottom of the cycle. In several stricken sectors – property and construction, for example – there would still seem to be no great hurry and every possibility that the next 12 months are going to be worse than the last. The stock market is already discounting most of the recovery so victims' share prices hardly look cheap. And though figures yesterday showed that corporate liquidity improved in the second quarter, the financial position of companies hardly seems strong enough to imply a wave of cash deals. On top of these considerations it seems unlikely that speculation about a November general election will encourage would-be bidders to bring forward their plans.

Tesco

The market is slowly becoming aware of a slowdown in sales growth among the leading food retailers as a result of the recession and lower inflation. Hence, perhaps, the unusual interest in Tesco's interim figures yesterday. But the halving of sales growth in its existing stores to around 6.5 per cent was a poor excuse for marking down Tesco shares by 5 per cent. After all, the interim dividend was increased by 21 per cent, while operating margins rose by more than 10 per cent, enough to suggest Tesco can continue to benefit from its investment in technology for a while yet.

Stripping out property, pre-tax profits were up by a third on the previous first half. Looking ahead on the same basis, Tesco could make £645m next year, which means the shares are on a bearish multiple of just 12. That seems cheap when one considers the real message of the figures. The food retailing industry appears to be taking its long-term shape faster than anticipated – good news for Argyll, Sainsbury and Tesco, all of which can go on improving margins, and perhaps for a couple of smaller players like Kwik Save and Morrisons. It is very bad news for Asda; but then its shares have fallen by 10 per cent this week.

Fisons

By marking the shares down 7 per cent yesterday the market showed its determination to focus on Fisons' mere 6 per cent advance in first half profits, rather than on its upbeat view of the future. That may yet prove short sighted but it goes to show that pharmaceutical companies on dizzy ratings cannot afford to stumble. In this case the main problem has been the interruption of US sales of Opticrom and Imferon – a hiccup caused by tough new US regulatory requirements but one which nevertheless leaves an embarrassing hole above the line. There was also an unexpected £5m swing in the financing charge, partly the result of a £70m first half cash outflow but partly the consequence of a narrowing transatlantic interest rate differential. The result of the scientific equipment division demonstrates that there has been a recessionary impact too. Fisons has an impressive record of double digit earnings growth; the sceptics prefer to focus on its cash flow record which net of finance charges, acquisitions and currency movements has not been good.

Kingfisher

Kingfisher's management might justifiably be peeved that the group's shares fell yesterday. The interim trading performance was dependable. Market share increased in the main businesses and Woolworths actually made a profit. Gearing fell from 35 to 22 per cent, albeit helped by partial exercise of convertible debt. With Comet and B&Q in its portfolio, the group is well positioned for economic recovery. The shares have a heady 18-month climb behind them, but perhaps deserve to be rated higher than the 15.5 sector average for next year.

WORLDWIDE WEATHER

		°C	°F
Ajaccio	S	27	81
Algiers	S	29	84
Amsterdam	F	17	63
Athens	S	26	79
Bahrain	S	31	88
Bangkok	R	33	91
Barcelona	S	26	79
Beirut	S	27	81
Belfast	F	17	63
Belgrade	F	25	77
Berlin	F	20	68
Biarritz	S	25	77
Bombay	F	29	84
Bordeaux	S	26	79
Boulogne	S	19	66
Brussels	F	19	66
Budapest	F	24	75
Buenos Aires	R	18	64
Cairo	S	33	91
Cape Town	S	17	63
Caracas	C	28	82
Casablanca	F	27	81
Chicago	S	11	52
Cologne	F	19	66
Copenhagen	C	17	63
Corfu	F	25	77
Dallas	F	22	72
Dublin	F	18	64
Dubrovnik	S	26	79
Edinburgh	F	17	63
Faro	S	33	91
Florence	S	28	82
Frankfurt	S	22	72
Geneva	F	24	75
Gibraltar	S	26	79
Glasgow	F	16	61
Helsinki	S	13	55
Hong Kong	F	31	88
Innsbruck	F	19	66
Inverness	C	16	61
Islamabad	F	29	84
Istanbul	F	23	73
Jakarta	C	32	90
Jersey	F	18	64
Johannesburg	S	27	81
Lima	C	19	66
Lisbon	S	31	88
London	F	20	68
Los Angeles	Fg	16	61
Luxembourg	F	18	64
Madeira	S	26	79
Madrid	S	31	88
Majorca	S	32	90
Malaga	S	27	81
Malta	F	29	84
Manchester	F	17	63
Manila	C	29	84
Melbourne	R	11	52
Mexico City	C	21	70
Miami	F	27	81
Milan	S	26	79
Montreal	S	20	68
Moscow	C	17	63
Munich	C	18	64
Nairobi	S	28	82
Naples	F	27	81
Nassau	C	31	88
New Delhi	S	33	91
New York	S	27	81
Nice	S	27	81
Nicosia	S	29	84
Oporto	S	24	75
Oslo	R	12	54
Paris	F	21	70
Peking	R	19	66
Prague	F	20	68
Reykjavik	R	8	46
Rhodes	S	26	79
Rio de Janeiro	C	26	79
Rome	S	26	79
Salzburg	C	15	59
San Francisco	Dr	12	54
Seoul	F	21	70
Singapore	C	26	79
Stockholm	F	15	59
Strasbourg	S	23	73
Sydney	S	21	70
Taipei	R	29	84
Tangier	S	31	88
Tel Aviv	S	29	84
Tenerife	S	27	81
Tokyo	S	23	73
Toronto	S	16	61
Tunis	R	26	79
Valencia	S	30	86
Venice	S	25	77
Vienna	R	17	63
Warsaw	R	18	64
Washington	S	26	79
Zurich	C	21	70

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday September 18 1991

INSIDE

BASF to take full control of Comparex

BASF, the German chemicals group, is taking full control of Comparex, the computer marketing company it formed five years ago with Siemens, the German electronics giant. **Page 18**

Banks rebuff Lonrho

Brent Walker's banks are today expected to rebuff the tentative takeover offer from Lonrho and will attempt to resuscitate the original refinancing proposals formulated by the troubled UK leisure and property group to avoid receivership. **Page 24**

Brands blunt recession

MB-Caradon, the UK building products, packaging and printing concern, limited its pre-tax profit fall to 12 per cent in the first half. Mr Peter Jansen (left), chief executive, said the recession had been blunted by the strength of its brands and by holding prices. He said there was anecdotal evidence of an improvement in UK conditions, "but no upturn in volumes yet". **Page 24**

French float detailed

Crédit Local de France, the state-controlled bank for local authorities, yesterday revealed details of its impending flotation. **Page 22**

New era for Christiania

Mr Borger A. Lenth, the new president of Christiania Bank, Norway's second biggest, sees the recent stormy passage at the bank as the end of a purging process. **Page 18**

Sumitomo Chemical in US deal

Sumitomo Chemical, a leading Japanese producer of agrochemicals and basic chemicals, has taken 100 per cent of a California-based agrochemical company, Valent USA, established jointly with Chevron Chemical three years ago. **Page 19**

Australian insurer falls

FAI Insurances, the Australian insurance and investment group, yesterday blamed "extremely difficult" trading conditions for a net operating loss of A$144m (US$120m) for the year. **Page 19**

Rights pays for polythene deal

British Polythene Industries, the largest producer of polythene film products in the UK, is acquiring Courtaulds Plastic Films for approximately £9.14m ($15.44m) in cash. To fund the acquisition, the group is launching a rights issue. **Page 26**

August is the cruellest month . . .

August has been a month to remember over the past three years. This year's excitements did little for embattled European stockbrokers. **Page 40**

Amstrad to sue in US

Amstrad yesterday said it was suing a second US company, Western Digital, for allegedly supplying it with faulty disc drives. **Page 25**

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)

Rises							
Colonia Konz	892	+	22				
Leifheit	680	+	12				
Linde	827	+	7				
Falls							
Lahmeyer	910	−	8				
Schmalbach	558	−	21				
Zanders Feinpap	263	−	8				

PARIS (FFr)

Rises			
Lafarge Coppee	384	+	11
Radiotechn	530	+	29
Falls			
Gaumont	755	−	14
Immobanque	885	−	15
Lyonn Eaux	565	−	11
SILIC	605	−	15

NEW YORK ($)

Rises			
Arbor Drugs	19¾	+	¾
Collagen	18⅜	+	⅞
Merrill Lynch	44¼	+	1½
Falls			
Intel	40¾	−	¾
Philip Morris	72⅝	−	⅛
Sun Micro	28¾	−	1⅛

TOKYO (Yen)

Rises			
Maruetsu	1420	+	190
Shiseido	1500	+	190
Shionogi	1290	+	200
Toho Bank	740	+	95
Tokyo Rike	800	+	70
Falls			
Ube Chemical	412	−	29

New York prices at 12.30.

LONDON (Pence)

Rises				ASDA	94	−	5
Brit Telecom	397	+	9	Brit Aerospace	401	−	13
Brown Jackson	10	+	2	Clyde Pet	95	−	5
First Tech	45	+	7	Fisons	464	−	35
Hi-Tec Sports	184	+	12	Grovewood	7	−	4
Jeyes	368	+	13	HH	252	−	9
Quilgotti	39	+	6	Kingfisher	559	−	11
Racal Elects	57½	+	8½	Lasmo	296	−	8
Scholes	118	+	7	Tesco	288	−	14
Suest	65	+	7	Whitbread A	485	−	12
Utd Friendly 6	414	+	27	Williams Hldgs	337	−	24
Falls							

Sealink-Stena to announce drastic cuts

By **Robert Taylor** in Stockholm and **Emma Tucker** in London

DRASTIC CUTS in jobs and services at Sealink-Stena, one of Britain's largest cross-channel ferry operators, are to be announced today, according to Stena, the company's Swedish parent.

Stena, the world's largest ferry boat company, is facing a pre-tax loss of around SKr300m ($49m) this year, which it says is almost wholly attributable to the Sealink-Stena operation. Unions and personnel at Sealink, which employs almost 6,000 people in the UK, are being informed of the cuts this week, the company said.

Stena acquired Sealink in February 1990 after a nine-month battle with Sea Containers, the company's former parent. It immediately rationalised and cut costs and 1,100 jobs.

Sealink-Stena operates three services across the English Channel and three to Ireland. With its French partner SNAT, in which Stena has a 49 per cent stake, Sealink carries about 2.9m passengers a year. Its main competitor, P & O, claims 50 per cent of the market, carrying 9.6m passengers a year.

The takeover and rationalisation costs cut Stena's profits last year by 60 per cent (after financial items) to SKr107m. Earlier this year Stena had predicted an improvement in its profitability during 1991, but has now sharply revised this view.

Mr Lars Erik Ottosson, president and chief executive, said: "Vigorous efforts are needed to reverse the downwards trend" including "a drastic cut in the company's overhead costs".

Mr Ottosson said Stena hoped the new rationalisation programme, along with the measures decided last year, would result in savings of SKr500m.

He said that while Sealink's commercial viability was good, "the performance and cost efficiency of the organisation must be improved". Mr Ottosson added that Stena hoped that drastic action now would give Sealink positive results in 1992.

In contrast to the poor Sealink performance, Stena says its Scandinavian ferry operations have developed well so far this year. Mr Ottosson said a combination of a savings programme and record travel levels in the summer had strengthened what was already a healthy position.

Stena will publish its first eight months' results on 25 October.

Porsche steers an independent route

By **Andrew Fisher** in Frankfurt

PORSCHE, the German luxury sports car maker, yesterday reasserted its desire to stay independent following speculation that Mercedes-Benz or Volkswagen might be interested in buying a stake in the company.

Porsche also confirmed that Mr Ulrich Bez, its research and development director, was resigning over the company's problems in motor racing.

Mercedes-Benz (owned by Daimler-Benz) and Volkswagen said the question of them taking a stake in Porsche was not really an issue at the moment because the family-controlled company did not intend to become part of another group. However, both indicated they would be interested if circumstances changed.

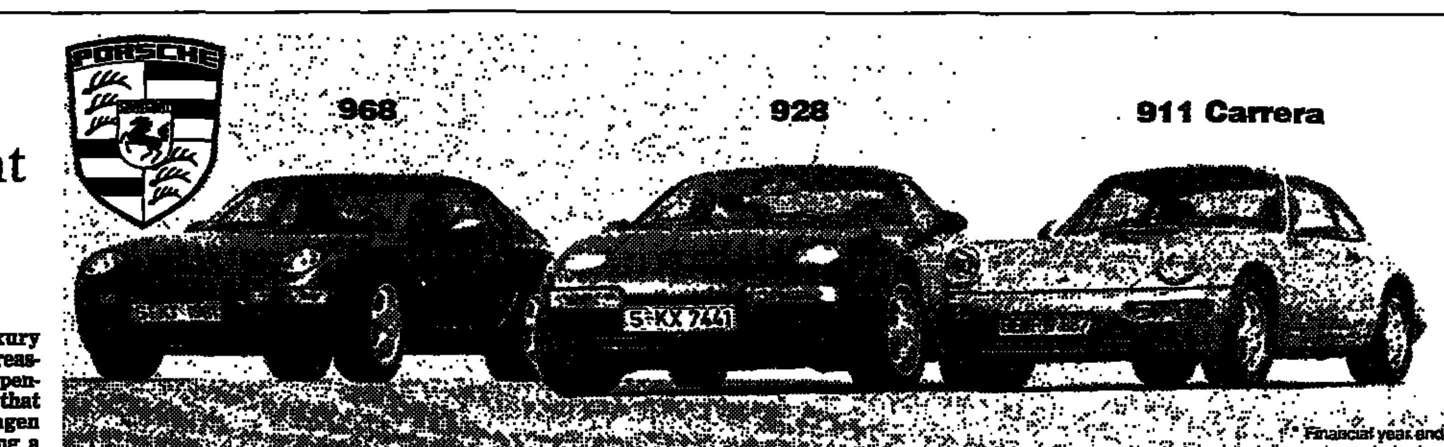
Speculation over Porsche's future has revived after news of its worsening profits performance and falling sales, notably in the depressed US market. On Monday, Mr Werner Niefer, chief executive of Mercedes-Benz said, when asked on Austrian radio whether it might take a stake in Porsche: "We will be think about it".

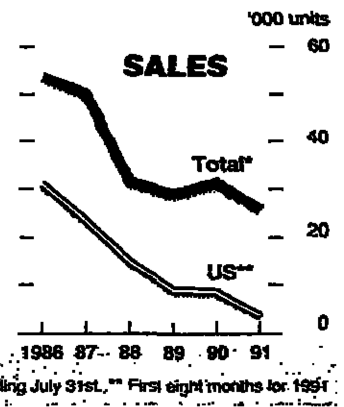
Mr Arno Bohn, chief executive, said last week that Porsche would have to struggle to keep profits up to the depressed level of last year.

The company has indicated that net income in the financial year to July 31, 1991, fell to between DM50m ($28.7m) and DM60m from DM68.4m (a rise of 29 per cent on 1988-89). It is shedding 550 of its 8,000 employees by mid-summer next year.

Mr Bez, 47, is the third director to leave in the past year. Mr Hans Halbach, marketing director, joined Saab in Sweden and Mr Rudi Noppen, responsible for production and materials, went to run Webasto, a German vehicle parts manufacturer.

Mr Bohn, a former director of Nixdorf – now owned by Siemens – joined in March, 1990.





* Financial year ending July 31st. ** First eight months for 1991

New cars, familiar faces - Porsche's three model ranges have their roots in the 1960s and 1970s

Living dangerously in the fast lane

John Griffiths looks at the background to the current difficulties afflicting the luxury sports car maker

The willingness of Daimler-Benz, Germany's largest industrial group, to take a stake in Porsche illustrates the growing concern in German industry about the future of the luxury sports car maker.

Porsche's opulent stand at this year's Frankfurt motor show has also acted as the backdrop for more sombre developments since the show opened last week.

In turn, these have fueled speculation about whether the fiercely independent Stuttgart car maker is losing momentum, and even whether it can survive the 1990s in the face of Japanese competition.

The motor show also provided Mr Arno Bohn, chairman and chief executive, with the opportunity to announce a drop in earnings for the company's financial year ended July 31, coupled with a warning that Porsche is struggling to maintain sales and profits during the current year.

His gloomy assessment of market conditions was followed on Monday with an announcement that Porsche will shed about 6 per cent – or 550 workers – of its workforce by next summer.

To make matters worse, Porsche is losing its third key director in almost as many months, through the departure of research and development director Mr Ulrich Bez. With much of its reputation based on engineering integrity, Porsche derives substantial income from contract R & D for other manufacturers at its Weissach research centre.

Mr Bez, described as leaving immediately at his own request, follows the departure to Saab of marketing director Mr Hans Holbach and to components group Webasto of production director Mr Rudi Noppen.

None of these developments means that Porsche is necessarily facing an imminent crisis.

The company is cash-rich from the large profits piled up during the US market hey days of the 1980s. And its borrowings are negligible. To no one's surprise, representatives of the Piech and Porsche families – which control the company – politely, but quickly, declined Daimler-Benz's friendly offer.

Porsche's 18 per cent fall in world car deliveries to 26,300 in its last financial year, was not far from that experienced by other luxury car makers during the period.

Yet the unpalatable fact for Porsche is that those sales were less than half what the company achieved in the mid-1980s. Sales peaked at 53,300 in 1985/86.

While Porsche finance director Mr Walter Gnauert is quick to point out that the product range is now more profitable following the demise of cheaper models like the 924, the underlying picture is worse than even these figures suggest.

Were it not for the post-unification sales boom in the German market, where sales of new cars overall are running more than 50 per cent up on year-ago levels, Porsche would now be in trouble.

The company has made much of the fact that it reduced its former overwhelming dependence on the US.

The world's biggest single luxury car market accounted for 70 per cent of Porsche sales as recently as 1987. Now, says Mr Gnauert, it accounts for only 23 per cent. Germany has taken over the lead with 40 per cent, and the remaining 37 per cent is well spread through the rest of the world.

Porsche attributes this to strategic planning. Its success in exploiting the Japanese market's new-found penchant for chic European luxury cars certainly fits into this category, witnessed by 15 per cent of total sales – 3,900 units – in Japan last year.

It can equally be seen as having been forced on the company by wealthy American buyers deserting the marque in droves.

By any measure, Porsche's recent US performance has been disastrous. In 1986, it sold a record 30,471 units in the US. Two years later the total was down to 15,732. Last year it sold 9,139 and in the first eight months of this year only 3,151 were sold.

At this rate Porsche's 250 US dealers will do well to sell more than 5,000 cars between them this year. Mr Gnauert suggests that the arrival in the final two months of this year of the latest 968 model – and a further updated version of its largest, V8-engined 928 GTS – should lift sales above 6,000.

This US collapse has led Porsche Cars North America to cut its 350-strong staff by 25 per cent from the start of the month.

Porsche, like other European makers, puts most of the blame for the collapse on the luxury goods tax imposed by the US government at the start of this year.

Some critics, pointing to the fact that Japanese luxury makes like Lexus and Infiniti are enjoying unchanged, or even increased, sales this year, suggest other factors may be at work.

Chief among them, some suggest, is that while Porsche was content to reap rich profits from the US during the 1980s – when Japanese competition was starting to emerge – it has done too little new product development to ensure customer loyalty now that Japanese rivals are coming into the market at cheaper prices.

Porsche executives reject this, pointing to the latest 968 model and recent Carrera 2 and Carrera 4 derivates of the 911 as being extensively re-engineered to the point they could be called "new model" designations.

The argument has received relatively short shrift from influential car consumer magazines like *Road & Track* in the US and *Car* in Europe.

The underlying concern for Porsche now is that it may not be able to bring on new products fast enough to prevent it suffering a slow financial haemorrhage as more aggressive and larger Japanese rivals compete for its market niches.

Mr Gnauert and his colleagues insist that such fears are unfounded, and that this will be demonstrated in 1993 when Porsche will launch an all-new car.

Germany's bigger car companies will be watching developments with close interest. Both BMW and Volkswagen are also likely suitors should the Piech and Porsche families, who control all the ordinary shares and 40 per cent of non-voting preference stock, decide in the end that the game is not worth the effort.

Renault and Volvo increase co-operation with staff swap

By **William Dawkins** in Paris

RENAULT, the French state-owned car maker, and Volvo of Sweden yesterday took their co-operation a significant step further by exchanging senior staff in their French sales divisions.

Further exchanges of executives will follow and a working group will study other ways in which the partners' sales departments could co-operate, said Mr Loïc Caperan, Renault's commercial director for France.

This co-operation, the latest consequence of last year's share swap between the two car makers, relates to sales of cars and light commercial vehicles, but excludes the partners' truck businesses.

The exchange puts Mr Caperan on the board of Volvo Automobiles France and moves Mr Vincent de Laurens from director general of sales networks for Volvo Automobiles France to director general of Renault Luxembourg. Mr de Laurens is to be replaced at Volvo by Mr Jean Lasserre, formerly Renault's south west regional director.

Since the agreement, the two car makers have set up a 50 per cent jointly owned research subsidiary in France, launched in April 1990. They have combined some procurement activities and exchanged "several dozen" executives in all departments.

Meanwhile, Renault has agreed to supply Volvo with diesel engines and the Swedish partner is to supply Renault with petrol engines of a type yet to be specified. The French company is also expected to provide engines and gear boxes for Volvo's production at a Dutch plant jointly operated with Mitsubishi of Japan.

Under last year's share exchange, Volvo has a 20 per cent stake in the French group – to rise to 25 per cent in 1994 – and Renault has a 25 per cent stake in Volvo's car operations. Renault also took 5.5 per cent of AB Volvo, the Swedish group's parent company, and the pair took 45 per cent stakes in each others' truck divisions.

The aim of the latest co-operation is to "develop synergies" between their respective French sales forces, before the arrival in France of the new Volvo 850, said Renault. However, "the identity of each of the marques, in particular the integrity of their product ranges and the separation of dealer networks will be respected," it added. Volvo sells between 12,000 and 15,000 cars in France annually, a small fraction of last year's 2.3m registrations.

Fisons hit by drug approval delay

By **Jane Fuller** in London

PROFITS at Fisons were cut by at least £10m ($17.4m) because of problems with the US Food and Drug Administration, Mr John Kerridge, chairman and chief executive, said yesterday.

The company reported first-half pre-tax profits of £95.2m – between £3m and £10m short of analysts' expectations. They had only been told about part of the disruption to production of two Fisons's drugs following changes in FDA requirements. The share price shed 35p to close at 464p in London.

However, taxable profits at the pharmaceuticals, scientific equipment and horticulture group grew nearly 6 per cent from £90.2m. Turnover only inched ahead to £591m, from £582.9m.

Mr Kerridge said at least £10m profit was lost at the pharmaceuticals division because the FDA had become "enormously pedantic" following generic drug scandals.

The drugs affected were Opticrom, an anti-allergic eyewash, and Imferon, a blood product. UK production had had to be modified to meet new FDA requirements. Imferon was cleared last week and Opticrom is expected to be cleared by October.

However, operating profit at the division increased to £68.1m from £60.6m, helped by improved market share for the asthma drugs in particular. Intal, for example, increased sales in the US by 24 per cent and in Germany by 16 per cent. It recently gained approval in Japan.

He said research and development, "which would not be cut under any circumstances", was running at more than £100m a year, the bulk of it on the pharmaceuticals side.

Scientific equipment, strengthened by the £270m acquisition of VG Instruments early last year, showed modest operating profit growth to £27m from £25m. With some industrial customers, this division was the most vulnerable to recession, but pollution control markets had offset the effects.

Horticulture contributed £4.4m, up from £3.6m, with the help of acquisitions.

Net debt rose from £115m at the year-end to £185m (at constant exchange rates), reflecting acquisitions and the disruption of supplies to the US.

Earnings per share were flat at 10.4p after higher minority and tax charges. The interim dividend goes up to 3.3p, from 2.85p.

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BASF to buy Siemens' stake in computer venture

By Alan Cane

BASF, the German chemicals group, is taking full control of Comparex, the computer marketing company it formed nearly five years ago with Siemens, the German electronics giant.

It will acquire Siemens' 33.5 per cent stake for an undisclosed sum, and the deal is expected to be completed by the end of the month.

BASF and Siemens formed Comparex in 1987 as a European computer manufacturing and marketing operation, principally to supply mainframe computers made by Hitachi of Japan. In contrast to the majority of European-owned computer manufacturers, Comparex has consistently reported good revenues and profits. It has made a speciality of computer rental.

Comparex said yesterday that sales for the first half of 1991 rose 3 per cent to DM522m ($300m) compared with the same period last year. It does not disclose six-month profit figures, but said business was "satisfactory in view of the difficult overall situation in the high-performance computer equipment market".

Overall sales of mainframe computers have slowed in the past few years as the market has matured and customers have looked for cheaper solutions to data processing problems.

Comparex said the contribution made by mainframe systems to its sales dropped by 32 per cent in the first half of 1991, while revenues from computing services rose.

It warned that earnings in 1991 would be worse than 1990 due to the rise in the value of the dollar. As a result of the unusually severe slide in prices, the earnings forecasts have had to be corrected.

The sale of the Comparex stake is seen as a further step in the rationalisation of the European computer industry. It also helps to resolve a situation peculiar to companies marketing Japanese systems in Europe.

Siemens markets large computers using technology sourced from Fujitsu of Japan. It is also struggling to absorb Nixdorf, the loss-making German minicomputer manufacturer. Siemens Nixdorf, the joint company formed as a result of the merger, continues to make losses.

Hitachi sells its mainframe computers in Europe through Comparex and its own subsidiary, Hitachi Data Systems.

Thomson-CSF wins network contract

By William Dawkins

FRANCE Télécom, the French telecommunications operator, has contracted Thomson-CSF, the state-controlled defence and electronics group, to install equipment for a prototype broad band communications network.

Thomson-CSF is to develop interconnection equipment for a broad band network based on Asynchronous Transfer Mode (ATM) technology, which allows voice, data and video to be transmitted simultaneously at high speed along a single telephone line.

France Télécom has also ordered prototype equipment from Alcatel, the French telecommunications supplier, on which to base further studies of ATM technology.

This is likely to be the world's first operational ATM network when it opens in 1993, said a France Télécom official.

The contract itself is worth "several tens of millions of francs" but the European market for this kind of service is expected to be substantial in coming years, he said.

Norwegian insurer takes holding in Skandia

By Robert Taylor in Stockholm

UNI STOREBRAND, Norway's biggest insurance company, has bought 11.4 per cent of the shares in Skandia, Sweden's largest insurance group.

The Norwegian insurance company will be Skandia's second largest shareholder. There has been stock market speculation that Skandinavian Enskilda Banken does not intend to exercise an option to buy 28.2 per cent of Skandia.

Mr Bo Ramfors, SEB's chief executive, said that the bank believed Uni Storebrand's share purchase was motivated by long-term industrial considerations.

He welcomed Uni Storebrand as a shareholder in Skandia and made clear that SEB would be ready to enter discussions of common interest with the Norwegian insurance company over the restructuring of the bank and insurance sectors in both Sweden and the rest of the Nordic region.

Matra Comms falls into loss

MATRA Communication, a subsidiary of French electronics and transportation group Matra, suffered a loss of FFr108m ($18.3m) in the first half of 1991 compared with a profit of FFr18m in first-half of 1990, AP-DJ reports from Paris.

Matra Communication's consolidated revenue rose 6 per cent to FFr2.8bn from FFr2.64bn. The company said revenue was roughly unchanged. Operating results swung to a loss of FFr64m from a net profit of FFr70m.

Casino foods arm to be sold to BSN

CASINO, the French stores group, has agreed to sell its prepared foods unit France Plats Cuisines to BSN, the food group, Reuter reports from Paris.

The terms of the sale were not disclosed.

Tesco interim advances 22%

By John Thornhill in London

TESCO, the UK supermarket group, yesterday continued its seemingly relentless growth by registering a 22 per cent gain in interim pre-tax profits.

In spite of the recession and a laggardly summer trading period, Tesco increased taxable profits to £229.6m ($388.02m) from £187.9m and lifted its operating margin to 6.4 per cent from 5.8 per cent.

However, Sir Ian MacLaurin, chairman, said sales were currently running at lower levels than those achieved in the first half, with a decline in volume of 1 per from comparable space after food price inflation of 5 per cent had been stripped out.

However, he added that the company was continuing to gain market share and would benefit from increased productivity as a result of its heavy investment in information technology.

Tesco yesterday revealed that it was extending its sales-based ordering system for dry grocery products – which helps increase stock turnover and improve the availability of goods – from 94 stores to 230 before Christmas.

Tesco is also experimenting with the ordering system on fresh food lines. It expects this investment to add £15m a year to profits over the next three years.

During the 24 weeks to August 10, sales, excluding value added tax, rose 12 per cent to £3.13bn. Just over half this increase came from existing stores; the rest was accounted for by sales from new space.

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Kingfisher hurt by VAT increase and recession

By John Thornhill in London

KINGFISHER, the UK retailing and property group which embraces the Woolworths, B&Q and Superdrug chains, yesterday blamed a 4 per cent decline in pre-tax profits on the recession and the April increase in value added tax.

Mr Geoffrey Mulcahy, chairman and chief executive, said the company had endured the toughest trading period he could remember, and a quick recovery was not expected.

Profits before tax and exceptional items dipped to £62.8m ($108.1m) in the six months to August 3 from £65.4m. An exceptional profit of £8.1m, against £18.5m last time, resulted from the sale and leaseback of properties.

Sales edged marginally ahead to £1.48bn from £1.39bn.

Earnings per share fell to 11.2p from 14.2p. The interim dividend was raised to 4p from 3.8p as a sign of confidence in the future.

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Christiania gets back to basics

Karen Fossli talks to the new president of the Norwegian bank

MR Borger A. Lenth, the new president of Christiania Bank, Norway's second biggest bank, has set his sights on pulling the bank back into profits by 1993.

He has taken over after four of the most traumatic years in the bank's 143-year history, which culminated last month in the implementation of a government NKr2.1bn ($320m) rescue plan.

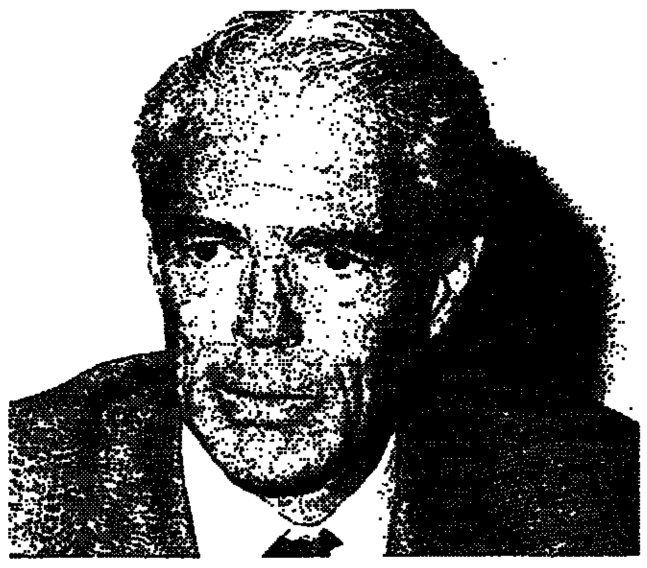
Amid the crisis, Mr Sverre Walter Rostoft, chief executive, quit, while Mr Per Ditlev Simonsen, the board chairman, accused the former management of witholding information on credit losses over the past two years.

Mr Simonsen's remarks prompted the Oslo bourse to intitiate an investigation into the bank's financial affairs which determined that Christiania had failed to report losses accurately, despite advice from internal accounts auditors.

Christiania plunged to net losses of NKr1.6bn in the first half of this year against profits of NKr128m a year earlier, and credit losses after six months had more than doubled to NKr1.898bn from NKr838m.

But Mr Lenth is not daunted by such events. Indeed, he sees them as the end of a purging process that will enable him to set the bank on track, restore the morale of staff and renew Christiania's image.

During the year Mr Lenth's predecessor had at the helm he implemented a sweeping reorganisation of the bank into three separate units with the aim of creating a big Nordic financial conglomerate. Mr Lenth will dismantle this structure by merging the three into one bank.



Borger A. Lenth: priorities will be to cut costs

"In the end this strategy of splitting the bank didn't succeed because of (Christiania's) weak financial situation and it became clear that investments to achieve this could not be supported by profits."

Restoring Christiania's financial health can only be achieved by setting more modest targets for growth and by returning the bank to "old traditions of decent banking practices," believes Mr Lenth.

"What I shall seek to achieve will be in sharp contrast to the kind of 'transaction economy' which dominated Christiania in the recent past," he said.

Mr Lenth's priorities will be to cut costs so they are more line with the business the bank can realistically expect to generate. One condition for the cash injection is that the bank cut costs by up to NKr500m, or 15 per cent, annually.

"Christiania will have to become internationally competitive in Norway. Not in the sense of being Vikings who are out to conquer the world . . . that's not the point. But it is very much the point of not maintaining costs and overheads which will, in particular, make us uncompetitive in Norway," he said.

Christiania, he believes, was slow in entering international banking but then grossly exceeded its capabilities.

Apart from serving the interests of 4.2m Norwegians, he feels that Christiania has to return to its core business of providing financial and banking services to domestic clients seeking to establish outside Norway.

Burgeoning commercial and private bankruptcies have taken their toll on Norway's banks, while real estate values have plunged by as much as 40 per cent, by some estimates, in the last four years. Christiania is a comparatively large property holder.

Part of Christiania's troubles arose out of what Mr Lenth describes as a gap between maintaining a high-flying image and the realities of its operating environment.

He does not agree with the bank's critics that previous management consciously set out to deceive authorities. "I personally feel they managed to detached themselves from reality," Mr Lenth said.

Mr Leth believes that the government could do more to prop up the country's banking system. In particular it could dismantle subsidies given to the postal banking system.

"At the moment there is a discrepancy between the services we provide and what our clients our willing to pay for. In my opinion we have an over-banked society," Mr Lenth said. "And, unfortunately, a lot of jobs within the banking industry will have to go. A period in Norwegian banking history has come to an end."

Statoil plans to build NKr2.5bn chemical plant

By Karen Fossli in Oslo

STATOIL, the Norwegian state oil company, is pushing ahead with plans for the construction of a NKr2.5bn ($380m) chemical production plant.

The plant will be the first step in a three-stage strategy aimed at propelling the company to the top of the world league of production of MTBE, which is made by reacting methanol with isobutylene and is used as an additive to improve the octane level of unleaded petrol.

The plant will be built on the west coast of Norway with a capacity of 500,000 tonnes annually. A second plant is aimed to be built at Antwerp where Statoil has a polypropylene plant which is 50-50 owned with US-based Himont.

Construction of a third, smaller, MTBE plant is being planned at a Norwegian west coast site where Statoil has Europe's most modern refinery. Output would be less than half of that planned for the other two facilities.

Production would be sold in world markets and also be used at Statoil's two crude oil refineries at Mongstad, in Norway, and Kallenborg, in Sweden. The company believes that the future demand for high-octane and unleaded fuel will expand as environmental concern pushes countries towards tougher emissions control legislation.

The company's plans will have to be approved by Norwegian authorities who recently signalled a change in heart over Statoil's plans to build a NKr2.3bn methanol plant.

INTERNATIONAL COMPANIES AND FINANCE

General Electric to take $1.8bn charge

By Martin Dickson in New York

GENERAL Electric, the diversified US industrial and services group, said it would take a $1.8bn after-tax charge to net earnings to cover implementation of a new accounting standard that all US companies must adopt by the end of 1993.

The standard, FAS 106, was issued last December and requires employers to recognise post-retirement health benefits for employees as they accrue, rather than when they are paid out.

GE said it would adopt the standard in the third quarter and restate its first-quarter earnings to reflect the charge, *which represented less than 10* per cent of its equity.

Companies can either take the charge all at once or spread it over 20 years; GE has chosen to use the former method.

It added that, despite a difficult economy, its diversity of businesses and continuing strong productivity gains should result in earnings per share increases for the third quarter, fourth quarter and year before allowing for the effect of the accounting change.

GPG acquires 14.9% stake in ASC

GPG, an investment company 40 per cent owned by Brierley Investments of New Zealand, has acquired a 14.9 per cent interest in ASC of Australia, AP-DJ reports from Wellington.

GPG is managed by Sir Ron Brierley, the founder of Brierley Investments. The investment vehicle, formerly based in London, was listed on the New Zealand stock exchange in June when Brierley Investments made an issue of GPG shares to institutions and individual investors.

GPG has agreed to purchase a further 5 per cent of ASC on condition that approval is granted by Australia's foreign investment regulators for the company to exceed the 14.9 per cent limit.

At current market value of 36 Australian cents a share, GPG's 14.9 per cent stake in ASC is worth around A$2.5m.

It is ASC's second-biggest shareholder behind a combined 19 per cent stake owned by Manufacturers Mutual Insurance and its associated concern Armstrong Jones Life Assurance.

Other recent investments by GPG include a 14.9 per cent stake in Melbourne-based investment company Keygrowth.

Spiegel to launch fashion catalogue for black women

By Barbara Durr in Chicago

SPIEGEL, the largest US direct-to-home mail order company, announced that it would launch a new catalogue with a clothing line especially developed for black women. The move is a significant step by the company in marketing directly to minorities.

The catalogue venture is in partnership with Ebony, the leading general-interest magazine for black Americans. Under a licensing agreement, Ebony will provide its own mailing list and advice on the fashions – to be called "E Style" – included in the catalogue, which will be mailed to 1.5m consumers in 1993.

Mr John Shea, president of Spiegel, said the partnership of the two Chicago companies "marries Spiegel's catalogue expertise with Ebony's knowledge of the black consumer marketplace".

Black consumers are estimated to spend $13.3bn a year on clothing and tend to spend a relatively larger percentage of their income on apparel.

Black women have different tastes and body types, according to Mrs Linda Rice, president of Johnson Publishing, the publisher of Ebony. For this market niche, there were few product options and no single source to which consumers could turn, the partners said.

Specialised marketing campaigns to minorities are on the rise, though some have pro*voked controversy because the* products, such as cigarettes and alcoholic drinks, were considered harmful to health.

RBC Dominion to buy broker for C$25m

By Robert Gibbens in Montreal

RBC Dominion Securities, Canada's biggest investment company, plans to buy McNeil Mantha, one of the few remaining independent full-service brokers, for C$25m (US$18m), or C$3 a share.

McNeil's aggressive expansion into a national operation, specialising in retail business, underwritings and options trading, slowed with the 1987 stock market crash. It has been recovering slowly from a heavy loss in fiscal 1990.

The company is controlled by its senior management group, headed by Mr Andre Desaulniers, with public participation. He and the other directors recommend the bid.

RBC is 75 per cent owned by the Royal Bank of Canada. In the year to September 30 it earned $22m on revenues of $559m and closed its UK subsidiary. This year, it is showing signs of progress and the deal will increase its share of the domestic retail market.

Rural Bank of New Zealand tumbles 47%

RURAL Bank of New Zealand, which was sold by the government to Fletcher Challenge in 1989, yesterday reported a 47 per cent fall in after-tax profits to NZ$91.4m (US$53.8m) for the year to end-June.

Mr David Airey, managing director, said the result was "sound" given the downturn in world farm commodity prices and difficulties faced by New Zealand farmers.

The bank, which before privatisation existed as a state enterprise to offer cheap loans to farmers, has continued to convert loans made on a concessional basis to commercial rates. As of June 30, 77 per cent of the loans carried market rates and conditions.

Total assets rose 13.7 per cent to NZ$2.63bn, and liquid assets were up 124 per cent to NZ$644m. Shareholders' funds fell to NZ$392.5m from NZ$437m.

The bank, which became New Zealand's 23rd registered bank last year, has a risk adjusted capital adequacy ratio of 15.2 per cent, above Reserve Bank requirements.

C-17 starts its airborne trials

MCDONNELL Douglas's controversial programme to develop the C-17 military transport aircraft passed a milestone on Sunday when it finally made its inaugural flight, writes Martin Dickson.

The C-17, being developed at the group's Long Beach, California, plant, has been plagued by cost over-runs and delays. The first flight marks the beginning of a two-year test programme.

First chink shows in Australian fares war

By Kevin Brown in Sydney

THE FIRST sign emerged yesterday of an end to the fares war which has been bleeding revenue from Australia's three main domestic airlines since the industry was deregulated 11 months ago.

Fares on some routes have fallen by up to 70 per cent over the year, although most cheap fares are aimed at the relatively small off-peak leisure market rather than business class or regular economy class passengers.

Mr Bryan Grey, chief executive of Compass Airlines, the smallest of the three, said fares were likely to rise from October, when many of the *currently-available price deals* expire.

Mr Grey said the airlines were operating on "very thin shoestrings" as a result of the fares war, which was triggered by deregulation and the onset of a domestic recession.

"Our competitors must be bleeding very badly, and we are not doing so well ourselves," Mr Grey told a conference organised by the Bureau *of Industry Economics.*

"I don't think these air fares are going to stay in place for a long period of time because they have now got to the level where the airlines have to look to improve their returns," he said.

Mr Grey said Compass was operating at margins "hardly above the viable level," in spite of its relatively low cost structure.

"*We know* that when our competitors come to that price they are operating well under their cost structure. That is of concern because it must effect them in the long run," he said.

However, Australian Airlines, the government-owned domestic airline which is to be privatised later this year, said it would make no decision on future fares until its Pay-As-You-Fly deal, which offers discounts of up to 60 per cent, expires next month.

Ansett Australia, jointly owned by TNT and News Corporation, said it expected fares to continue to rise and fall in response to short-term market forces.

Compass is the only new airline flying national routes to have entered the market since the federal Labor government abandoned a decades-old two airlines policy in October last year. The airline flies only four aircraft between major cities, but has managed to win around 5 per cent of the market from Ansett and Australian.

Compass is expected to publish its results for 1990-1991 next week. The airline reported a loss of A$1.82m in its first six months, and said it might not achieve pre-tax profits of A$18.8m forecast in the prospectus for its A$65m flotation in mid-1990.

Australian, which reported a profit of A$9m for the first six months, is expected to achieve little more than break-even at the operating level. Ansett does not publish results, but is believed to have incurred a loss for the year.

Jardine motors unit profits 20% lower

JARDINE International *Motors Holdings*, the motor vehicle trader in Hong Kong and Macau which also markets engineering products and services, said that consolidated net profits fell 20 per cent in the first half to US$11.6m from $14.5m in the same period last year, agencies report.

Barlows shows its metal with sale

Philip Gawith on the company's move away from commodities

THE sale of Middelburg Steel and Alloys (MS&A) by Barlow Rand to Anglo American and Gencor gives all parties a stronger hand.

Barlows, South Africa's largest industrial company, has pleased the market by taking a further step away from commodities. Samancor, the ferro-alloys producer in the Gencor stable, benefits from access to enormous chrome reserves and *increased clout in the ferro*chrome market.

Anglo and Gencor benefit from the considerably enhanced prospects of the joint venture Columbus stainless steel project, to be undertaken by their respective subsidiaries, Highveld Steel and Samancor.

The essence of the deal is that Anglo, Gencor and their subsidiaries will pay R1.07bn *($379m) to buy the ferrochrome* and stainless steel producer *MS&A from Barlow Rand.* MS&A's stainless steel interests are valued at R500m and the ferrochrome interests at R575m.

The stainless steel interests, which will be integrated into the Columbus project, are being jointly funded by Highveld Steel and Samancor, while the ferro-alloy operations will *be put into Samancor who will* fund half the purchase. The balance will come from Anglo and its associate, De Beers, whose total interest in Samancor rises to 28 per cent.

The catalyst for the deal was Barlows' announcement in May that it planned to reduce its stake in the wholly-owned MS&A. This was to reduce the buffeting of its results by the volatility of MS&A.

It was, as Mr Warren Clewlow, executive chairman of Barlows, has often remarked, an unacceptable case of the commodity tail wagging the industrial dog.

Barlows' original intention was not to sell MS&A, but to float it and, over time, to reduce its stake to as low as 30 per cent. This changed with the offer from Anglo American and Gencor.

One reason was financial – analysts agree that Barlows would not have received such a good price had it not been for the springboard potential which MS&A offered the Columbus partners.

The other was strategic. Mr Clewlow says his philosophy is that "you have got to lead in your industries".

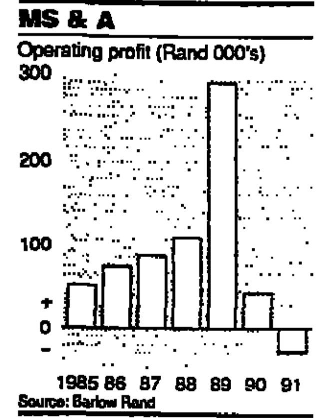
Post-Columbus, MS&A would have been a small player in the stainless steel field. "It was *going to be difficult for us to* develop in the shadow of Columbus."

The effect of the deal for Barlows is that debt at the centre of the group is cleared, the company is left with about R300m cash – thus removing the need for a rights issue – and a loss-maker has been removed which will bump up earnings in the short term and make them steadier in the longer term.

Mr Richard Stuart, an industrial analyst at stockbrokers Martin, says the deal helps refocus Barlows on what it is good at – managing mature manufacturing and trading businesses. The cash available will also allow it some flexibility to capitalise upon future opportunities. Mr Clewlow argues: "As a country we are poised. This is the time to make sure you are ready for those opportunities."

MS & A

Operating profit (Rand 000's)



Source: Barlow Rand

Samancor, the world's leading ferro-alloys producer, is no less a beneficiary of the deal. First, it gains access to very large chrome reserves in the *form of the Henry Gould* and Winterveld mines. Second, its market dominance is consolidated – it will control about 39.3 per cent of the world's cost effective ferrochrome capacity after the deal. Third, it should gain from a probable recovery in the world ferrochrome price.

Fierce competition between South African ferrochrome producers over *the past 18 months* has driven the world price down to a level of 48 US cents/lb, compared with an average of 76.3 cents in 1989. Now MS&A, traditionally regarded as the maverick producer, is removed from the equation. Mr Brian Gilbertson, Samancor's chairman, says they will also be rationalising existing production.

Finally, Samancor's prospects are also considerably enhanced by having the firm backing of the country's two largest mining houses, there having previously been bad blood between Anglo and Gencor over Samancor.

The other, crucial, angle to the deal is its impact on the prospects for the Columbus project. At full production of about 400,000 tonnes a year, combined with MS&A's existing capacity of about 120,000 tonnes, it will make South Africa the world's fifth largest stainless steel producer.

The subject of endless discussion over the past two years, it faced obstacles in the form of lack of access to foreign markets, because of sanctions, and the problem of South Africa's high cost of capital and high tax rate making returns too low. The sanctions issue has now receded while the *financial* angle was addressed earlier this month with the government announcing tax-incentives for export oriented, mineral processing projects.

Coming on top of this, the technical, production and marketing synergies offered by the acquisition of MS&A's existing stainless steel plant make the project much more attractive.

This plant will now form the *basis for the Columbus project.* By lowering up-front costs by as much as R1bn, compared with an initial estimate of R3.1bn, the risks of the project are diminished considerably. Columbus will also benefit from the pooling of expertise between MS&A and Anglo, who in Mr Graham Boustred and Mr Leslie Boyd offer the most experienced steel and alloy executives in the country.

Sumitomo buys control of Valent

By Robert Thomson in Tokyo

SUMITOMO Chemical, a leading Japanese producer of agricultural and basic chemicals, has taken 100 per cent of a California-based agricultural chemicals company, Valent USA, established jointly with Chevron Chemical three years ago.

Chevron and Sumitomo had taken an equal share in Valent, which had a registered capital base of $30m, but Chevron indicated that it wanted to withdraw from the agricultural chemical business to concentrate on petrochemical products and was willing to sell the stake to its Japanese partner.

Sumitomo, which did not disclose the purchase price, had been keen to purchase the stake as the company had wanted to expand the role of Valent, the 11th-ranked agricultural chemical producer in the US, but had felt restricted by its obligation to Chevron.

Sumitomo, which exports about 13 per cent of its Japanese production, said control of Valent would provide a base for the US market and give it more freedom in developing products for other markets.

The Japanese company, whose home market is in decline, has targeted the US market, believing that it will also be an import source of sales for biotechnology products now under development. Sumitomo has earned fame in Japan for developing new, more resilient varieties of rice.

Valent, based in Walnut Creek, California, has a staff of 200 and annual sales of about Y15bn ($112.3m), and runs research farms in Mississippi, Iowa and California.

RHONE-POULENC Jardin, Europe's leading supplier of garden products, has sold its British subsidiary to Pan Britannica Industries, an agricultural chemicals offshoot of Sumitomo, the Japanese industrial group, writes William Dawkins in Paris.

A price was not disclosed for the sale of the subsidiary, May & Baker, which has an annual turnover of £1.2m ($2.08m), or almost 1.5 per cent of Rhône-Poulenc Jardin's own FFr900m ($156.9m) annual sales. The French group said May & Baker had little in common with its other European activities, given the special qualities of the UK market.

Rhône-Poulenc has 15 per cent of the European market for garden products and makes fertilisers, soil treatments, and products for house plants.

FAI Insurances falls into the red

By Kevin Brown

FAI Insurances, the Australian insurance and investment group, yesterday blamed "extremely difficult" trading conditions for a net operating loss of A$144m (US$115.2m) for the year to the end of June, compared with a profit of A$18m last year.

Mr Rodney Adler, chief executive, said the main reasons for the loss were an underwriting deficit of A$191m and property write-downs of more than A$100m caused by the deteriorating property market in Australia and overseas.

Mr Adler said the group had taken "severe measures" to stem the underwriting losses and reduce its exposure to the property market. However, the group warned that underwriting losses would continue.

"We expect a significant improvement in our underwriting performance, although we are still budgeting for an underwriting loss. In this regard, the insurance results for July and August are in line with our budgetary expectations," Mr Adler said.

FAI said the underwriting loss had been caused by an increase in fraud-related claims, higher reinsurance costs and the continuing impact of natural disasters.

The group said it had also been hurt by aggressive price-cutting intended to maintain market share. The board announced some time ago that price-cutting would cease.

Mr Adler said the group had carried out a review and re-rating of all classes of insurance business on the basis of tougher underwriting criteria.

Premium income fell from A$635m to A$623m, but the group said its expense ratio was still one of the lowest in the Australian insurance industry.

The directors said provisions for outstanding claims had been increased to A$890m, in addition to unexpired risk provisions of A$246m, increasing total provisions from A$983m last year to a record A$1.136bn.

The board said there would be no final dividend to follow the 4 cent dividend announced after the first six months. The total dividend of 4 cents compares with 9 cents last year.

Fergusson quits as head of Magnum

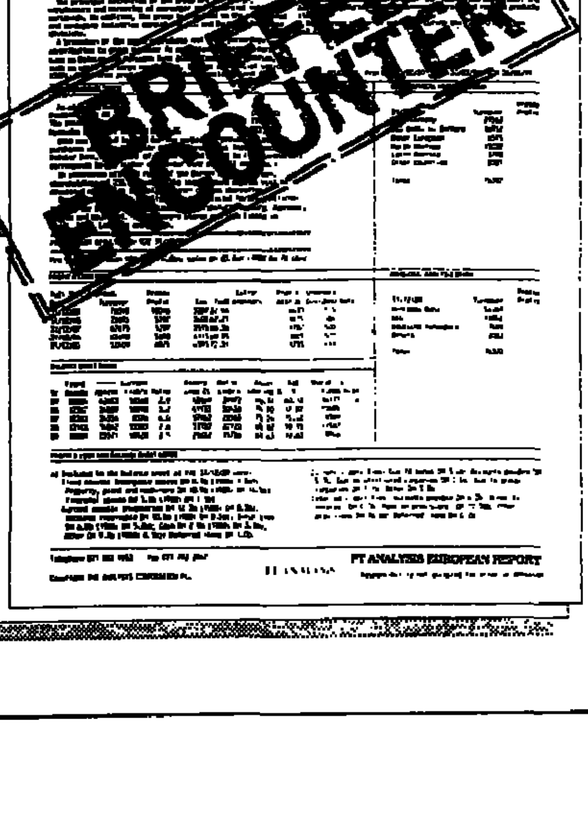
MR LINDSAY FERGUSSON, managing director of Magnum Corporation, the big Australasian liquor and food group, resigned yesterday, saying his differences with the board could not be reconciled, writes Terry Hall in Wellington.

Mr Fergusson said he could not agree with other directors on the future management and direction of the company.

Control of the company changed early last year when Brierley Investments reduced its controlling interest, forming a joint venture with Singapore-based Asia Pacific Breweries, which is half-owned by Heineken, the Dutch brewer.

Mr Fergusson oversaw rapid expansion of Magnum's liquor interests in Australia. The group took a 50 per cent interest in Austotel, Australia's largest hotel chain, and 49.4 per cent of Wilson Neill, owner of Tasmanian Breweries and a hotel chain in the eastern Australia. Magnum also sharply increased the size of its New Zealand food business.

However, the group was badly hit by higher interest costs and depressed trading conditions in the past year, and it recently announced a 55 per cent drop in profits.



INTERNATIONAL CAPITAL MARKETS

Bank of England restrains new gilt issue to £1.5bn

By Tracy Corrigan in London and Karen Fossli in New York

PRICES in the UK gilts market were steady yesterday as dealers awaited details of the UK government's new issue on September 25. The announcement that the new supply would consist of £1.5bn of the 9½ per cent issue due 2004 was well received.

"The Bank of England is being very conservative," one dealer said, as the issue was both shorter-dated and smaller in size than many traders had expected. There had been speculation that it would be in the 2008/2009 area, and would total as much as £2bn.

Consequently, dealers reported some switching into bonds maturing in 2008/2009. The 9 per cent gilt due 2008 gained ⅛, while slightly shorter-dated gilts in the area of the new supply lost a little ground.

There was little interest in data showing the UK government's public spending borrowing requirement (PSBR) at £1.85bn last month, in line with expectations.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		12.000	11/01	108.2250	+0.515	10.65	10.68	10.57
BELGIUM		9.000	06/01	98.5000	-0.100	9.18	9.21	9.30
CANADA *		9.750	12/01	101.6200	-0.265	9.49	9.65	9.72
DENMARK		9.000	11/00	99.2600	+0.005	9.11	9.12	9.24
FRANCE	BTAN	8.500	11/96	97.7622	-0.066	9.05	9.06	9.26
	OAT	9.500	01/01	103.7200	-0.070	8.88	8.91	9.08
GERMANY		8.750	08/01	102.2500	+0.030	8.40	8.42	8.46
ITALY		12.500	03/01	99.1400	-0.220	13.06	13.19	13.44
JAPAN	No 119	4.800	06/99	91.4394	-0.119	6.46	6.57	6.72
	No 129	6.400	03/00	101.5667	-0.171	6.12	6.24	6.39
NETHERLANDS		8.500	03/01	98.1500	-0.110	8.78	8.78	8.79
SPAIN		11.900	07/96	101.4800	+0.030	11.44	11.64	11.96
UK GILTS		10.000	11/96	101-11	+01/32	9.65	9.66	10.06
		10.000	02/01	102-15	+02/32	9.60	9.71	10.03
		9.000	10/08	96-28	+03/32	9.40	9.51	9.80
US TREASURY *		7.875	08/01	101-20	-01/32	7.64	7.72	7.84
		8.125	08/21	102-02	-06/32	7.94	8.01	8.11

London closing, *denotes New York morning session. Yields: Local market standard. Prices: US, UK in 32nds., others in decimal. Technical Data/ATLAS Price Sources

GOVERNMENT BONDS

■ BEARISH sentiment in the Dutch government bond market improved somewhat when it emerged at yesterday's national budget that the Dutch government's funding requirement for this year is lower than many traders had feared.

The market, however, showed little reaction to the news that the government's borrowing requirement for 1991 is now projected at Fl 46.5bn in 1991, revised from Fl 44.9bn.

Dealers said there had been some concern that the government had overspent substantially, and would need to raise an extra Fl 10bn. "The market had discounted further supply of at least one main public state loan," one dealer said.

The government said it had already completed 93 per cent of its funding for 1991, excluding any private placements.

"When traders get back to their desks [following the budget], they may decide that a 35 basis point spread over 10-year German bonds is worth buying," a dealer said. In Frankfurt, German government bond prices again ended unchanged in lacklustre trading.

■ US TREASURIES drifted lower in thin, lacklustre trading in the absence of any market-moving news.

At mid-session, the treasury's benchmark 30-year bond was down ⅛ at 102⅛, yielding 7.94 per cent. Shorter-dated maturities were off about ⅛.

The Federal Reserve added liquidity to the system by arranging overnight system repurchase agreements when Fed Funds were trading at 5½ per cent. The new perceived target for the rate is 5¼ per cent. There was no policy meaning attached to the Fed's open market operation.

There was little reaction to the industrial production data released in the morning. Although industrial production for August rose only 0.3 per cent, below the 0.5 per cent the market had expected, figures for July and June were revised upward. Industrial production rose 0.6 per cent in July, against earlier estimates of 0.5 per cent, while June was 0.8 per cent higher compared with previous estimates of 0.6 per cent.

■ THE JAPANESE government bond market re-opened yesterday, after a national holiday in Japan on Monday, to a small bout of profit-taking after a two-week rally, partly for purposes of book-dressing at the end of the the first half of the Japanese financial year.

The benchmark No 129 issue slid during Japanese trading to 6.10 per cent and continued to weaken in European trading to 6.12.

Japan sets date for OTC link-up

THE JAPAN Securities Dealers (JSDA) has decided to launch computerised trading for the over-the-counter (OTC) market on October 28, AP-DJ reports from Tokyo.

The new system, Japan Securities Dealers' Association Quotation (JASDAQ), is expected to attract more investors to the OTC market, which has grown larger than the Tokyo Stock Exchange's second section in terms of market value.

The value of the OTC market's shares totalled Y15,280bn in August 1991, compared with Y12,000bn for the second section.

The system will increase the speed and capacity of daily trading, an official said. With the increased liquidity, stocks would be priced more appropriately.

The association also plans to introduce the JASDAQ index as a benchmark average index of the OTC market in October 1992.

All the OTC shares will be traded through computer terminals at securities companies directly connected to the main computer at Japan Tento (OTC) Securities.

Japan Tento Securities, established in 1976, specialises in mediating OTC stock orders between securities companies.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:10 pm on September 17

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	102¼	103¼		6.81
ALBERTA PROVINCE 9 3/8 95	400	106⅛	106⅝	-⅛	7.57
AUSTRIA 8 1/2 00	400	101¾	102⅛	-⅛	8.19
BANK OF TOKYO 8 3/8 96	100	101¾	101⅞		7.98
BELGIUM 9 5/8 98	250	107½	107⅞		8.14
BFCE 7 3/4 97	150	100	100½	+⅛	7.73
BNP 8 5/8 94	300	103¾	104⅛		7.12
BP CAPITAL 9 5/8 93	150	103¾	104	-⅛	7.02
CANADA 9 96	1000	105¾	106		7.41
CARCO 9 1/4 96	650	102¾	103¼	+⅛	8.53
CCCE 9 1/4 95	300	105¼	106⅛		7.28
COUNCIL EUROPE 8 96	100	101¾	101⅞		7.68
CREDIT FONCIER 9 1/2 99	300	107¼	107½	-⅛	8.14
DENMARK 0 98	250	58	58¾	-⅛	8.29
DENMARK 8 1/4 94	150	103¼	103⅝		6.97
ECSC 8 1/4 96	195	102⅝	103⅛	-⅛	7.61
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINSBANK 7 94 LFr	600	94	95		9.47
KREDIETCORP 7 93 LFr	1000	95¾	96¾	+⅛	9.42
WORLD BANK 8 96 LFr	1000	95¾	97¼	+⅛	9.15
UNILEVER 9 00 Fl	500	102¾	102⅝		8.64
BCE INC 9 5/8 93 C$	300	100¼	100¾		9.98
BELL CANADA 10 5/8 99 C$	150	102¼	102⅝	+⅛	10.28
BRITISH COLUMBIA 9 1/4 93 C$	150	99⅞	100⅜		9.27
EIB 10 1/8 98 C$	130	99⅞	100⅜	-⅛	10.13
ELEC DE FRANCE 9 3/4 99 C$	275	98⅞	99⅜	+⅛	9.96
FORD CREDIT CANADA 10 94 C$	100	99½	100		10.19
GENERAL ELECT CAP 10 1/4 93 C$	175	101⅛	102⅛		9.33
ONTARIO HYDRO 10 7/8 99 C$	500	102⅝	103⅛	-⅛	10.28
OSTER KONTROLLBANK 10 1/4 99 C$	150	101⅝	102⅛	+⅛	9.93
QUEBEC PROV 10 1/2 98 C$	200	101¼	101¾		10.23
ROYAL TRUSTCO 10 1/4 93 C$	100	100	100¾	-⅛	10.18
SWEDEN 9 3/4 93 C$	250	100⅞	101⅜	-⅛	9.08
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Issued	Cnv. price	Bid	Offer	Chg. day	Prem.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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Portuguese bank makes a spirited comeback

ESPIRITO Santo, the Portuguese financial group, is poised to regain control of Banco Espirito Santo e Comercial de Lisboa (BESCL) when the privatisation of its former business flagship is completed this year.

It will represent a remarkable comeback for the Espirito Santo group, which was forced into exile in Brazil when the bulk of its Portuguese assets – BESCL, two leading insurance companies and a wide range of industrial investments – were seized in 1975.

Today, the Espirito Santo group, which has stock market listings in London and Luxembourg, is one of Portugal's few businesses with a strong international presence.

Espirito Santo Financial Holding, the banking and financial arm, made net profits of $25.5m on assets of $2.37bn in 1990. Nor does this figure tell the full story, since it excludes the assets of Companhia de Seguros Tranquilidade, Portugal's leading pension fund and life insurance group.

Together with an investor group, Espirito Santo bought 56.1 per cent of Tranquilidade (which also belonged to Espirito Santo before 1975) when it was privatised last October. At September 1990, Tranquilidade had total assets of $568m.

Patrick Blum looks at the return to strength of the country's Espirito Santo group

To re-acquire BESCL, Portugal's third biggest bank with an estimated value of about $1bn, the group has raised capital through a substantial borrowing programme. At the end of 1990, BESCL had assets of $9.2bn.

Last July, the group secured a 23 per cent stake in the bank when it was partly privatised through a flotation on the Lisbon bourse. It wants to raise its shareholding to around 51 per cent when the state's remaining 60 per cent comes up for sale.

Winning back BESCL will close a chapter in an unusual history for the Espirito Santo family. "Brazil was the springboard for our return to Europe," says Mr Ricardo Espirito Santo Salgado, chairman. In 1976, the group set up the Banco Inter-Atlantico, an investment bank, in Rio de Janeiro, later acquiring a majority stake in a local insurance company.

The first step back into Europe came in 1977, with the establishment of Compagnie Financiere Espirito Santo, a Lausanne-based fund management company. Other banking ventures in France, the US, Spain and Germany followed.

The group began making fresh inroads to Portugal in 1986 when the government reopened the banking sector to private initiative, establishing Banco Internacional de Credito (BIC) – corporate and private banking – in association with Credit Agricole of France, and Espirito Santo Sociedade de Investimentos (ESSI), an investment company.

Several specialised financial services companies followed and, with recent acquisitions, Portugal now accounts for about 80 per cent of the group's assets.

Control of BESCL is central to the group's strategy. Mr Espirito Santo Salgado says a minority stake would be unsatisfactory because it would leave the bank vulnerable to international acquisition. Later, when the moment is right, it may be possible to float some shares, he says.

BESCL, with over 1m clients, more than 170 branches (to be increased to 200 by year end), and more than 10 per cent of the Portuguese market, will provide a strong retail banking base enhanced by the rest of the group's resources.

ESSI will continue its investment banking activities, and BIC will focus on private banking for high net worth customers. The group also plans to move into housing mortgage financing.

Besides financial services, the group is investing in Portugal's fast-expanding telecommunications and energy sectors. It has a 31.25 per cent stake in Telecel, an international consortium recently awarded the licence to operate a mobile telephone network.

Telecel is also competing for licences to operate a nationwide paging system and the country's first private mobile radio system, and plans to take a stake in Telefones de Lisboa e Porto, the state-owned telecommunications company, when it is privatised.

Mr Espirito Santo Salgado is optimistic about group prospects. "We're ready for the competition and our strong international network will make us the most important Portuguese bank internationally, he says.

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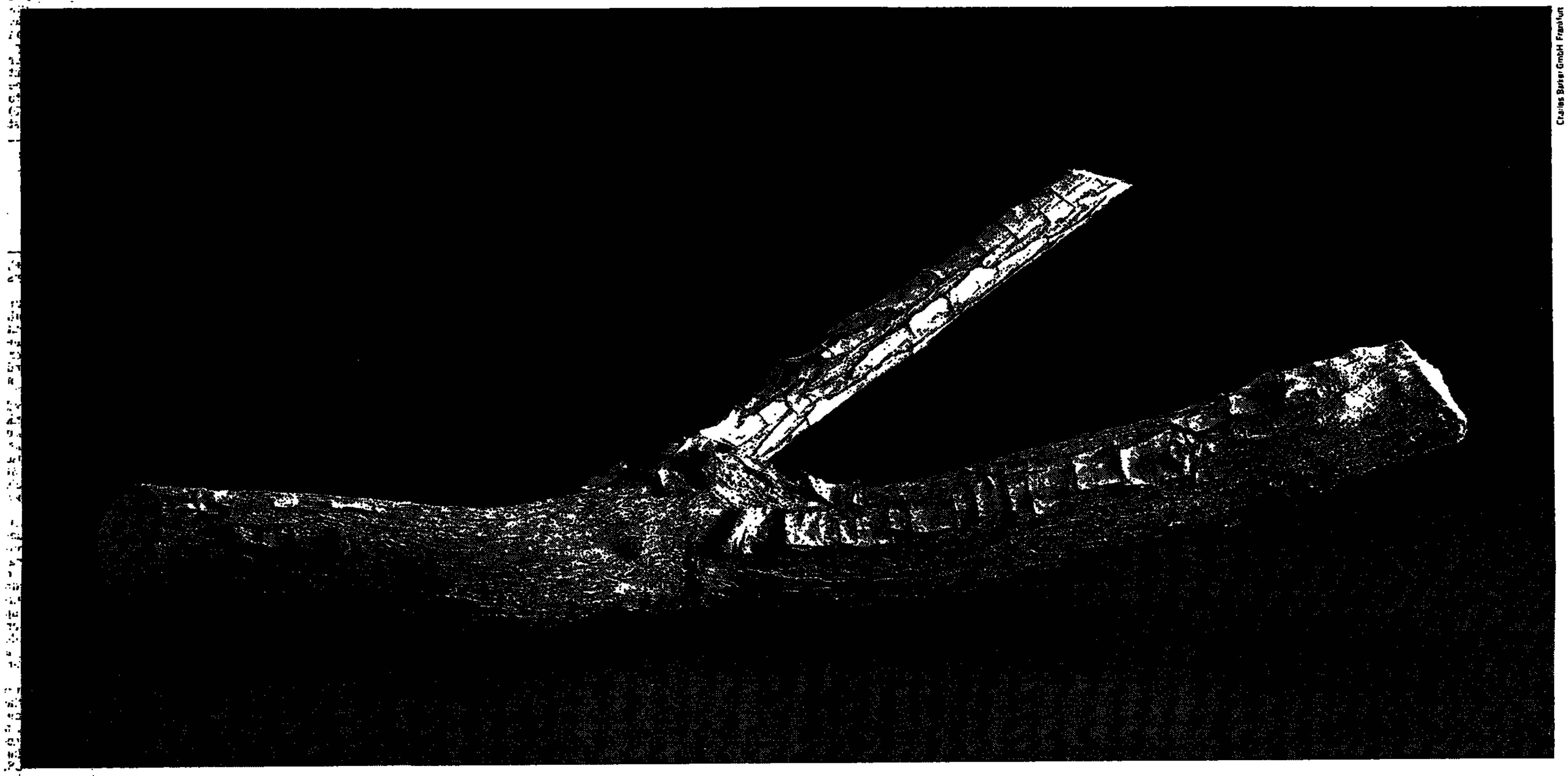
Commerzbank's new profit-sharing certificates with warrants



Charles Barker GmbH Frankfurt

Either way, a top investment

In offering an attractive long-term investment opportunity, with a total nominal value of DM 500 million, we have our shareholders very much in mind. This issue with its attractive terms is a token of our gratitude to both private and institutional investors for the trust they have placed in us. In addition, these profit-sharing certificates with warrants also provide an above-average return.

A good opportunity to become a Commerzbank shareholder

This is the third time that Commerzbank has offered profit-sharing certificates, after similar issues in 1985 and 1990. However, as the term "profit-sharing certificates with warrants attached" suggests, this issue will come with warrants entitling the holder to subscribe to shares of the Bank. Each profit-sharing certificate, therefore, carries the right to do so at a favourable option price which has already been fixed.

A quarter of the annual distribution paid for 1991

The profit-sharing certificates, which are being issued at par, entitle investors to a distribution for 1991 equal to a quarter of the payout for the full year. Existing shareholders or authorised holders of the Bank's 1990 convertible profit-sharing certificates deciding to purchase the new profit-sharing certificates with warrants attached only need to exercise their personal subscription rights in good time at their bank. And they will find they are making a worthwhile investment. For the terms reflect Commerzbank's great potential, which is also revealed in the Bank's outstanding results for the first half of 1991.

We are confident that these profit-sharing certificates with warrants attached will meet with lively interest on the part of investors looking for a high-yield performer to add to their portfolios.

A 9.5% distribution for investors seeking a solid return

With Commerzbank's new profit-sharing certificates, investors no longer face a difficult choice. Assuming a continued profitable trend for the Bank, the certificates will carry a 9.5% distribution for 13 years, making them a recommendable investment. The deduction of withholding tax is subject to the double taxation treaties concluded with Germany. Holders of profit-sharing certificates would participate in any loss the Bank might incur, resulting in a reduction of their repayment rights.

What is special about this issue is that it has something to offer for all investors. For anyone who desires can pursue the second option presented by these profit-sharing certificates:

Three Commerzbank shares – a promising option

Each profit-sharing certificate of DM 1,000 nominal bears warrants entitling the holder to subscribe to three DM 50 nominal Commerzbank bearer shares at a price of DM 280 each. A very attractive offer in view of Commerzbank's excellent future prospects.

Commerzbank shareholders can subscribe to one profit-sharing certificate of DM 1,000 for every 60 DM 50 nominal shares or DM 12,000 nominal of the Bank's 1990 convertible profit-sharing certificates. Quite clearly, this paper with its double investment potential represents an ideal instrument for portfolio managers and private investors alike. Not only does it offer a high, above-average return; it also paves the way for a sound investment in Commerzbank shares. Why not talk it over with your investment adviser.

Important dates to note

The subscription rights for these profit-sharing certificates may be exercised by those entitled to do so exclusively from September 16 to September 30, 1991. September 16 also marks the start of trading and the official quotation of the rights on all German stock exchanges, which will continue until September 26. The option rights attached to these profit-sharing certificates may be exercised by means of written notification from January 1, 1992 until October 2, 1995. The certificates will mature at the end of 2003 business year; they will be redeemed at par on June 30, 2004.

The Bank's performance in 1991

Commerzbank's earnings have been highly encouraging this year. The most recent figures, relating to July and August, show that the good earnings performance reported in the Bank's interim report as of June 30 has been maintained. Comparison with the half-year figures for 1990 and 1991 demonstrates the strong expansion in the Commerzbank Group's operating results.

Commerzbank Group	in DM billion 30.6.91	in DM billion 31.12.90	Change in %
Balance sheet total	216.8	216.0	+ 0.4
Customer deposits and bonds	150.8	147.1	+ 2.5
Total lending	149.9	146.5	+ 2.4
Capital and reserves	7.61	7.56	+ 0.8

The growth of roughly 38% in the Group's operating result in the first six months of 1991 over the same year-earlier period represents a substantial increase in earnings, both in day-to-day banking business and in the Bank's own-account transactions.

A steady, sound approach

Commerzbank has used this approach in successfully developing its business – and will continue to do so: for the benefit of its shareholders and employees, for the good of the Bank and its customers. High priority is being given to developing business in eastern Germany and the emerging democracies of Eastern Europe. Plans must be laid today if we want to shape the future tomorrow. And raising the Bank's equity capital, to almost DM 8.2 billion, DM 1.7 billion of which is in the form of profit-sharing rights, is a prudent and far-sighted step.

To find out more about Commerzbank, please contact: Commerzbank, Research and Corporate Communication Dept., P.O. Box 10 05 05, 6000 Frankfurt am Main, Germany.

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INTERNATIONAL CAPITAL MARKETS

Crédit Local privatisation will float 25% of bank

By **William Dawkins** in Paris

CREDIT Local de France, the state-controlled bank for local authorities, yesterday revealed that its impending flotation would involve 25 per cent of the bank's equity.

Mr Pierre Richard, president, said the government would sell around 20 per cent of its direct shareholding and that other investors would release another 5 per cent of the bank's equity.

Crédit Local, France's leading lender to local authorities, is also the biggest borrower on the French bond market after the government. Its flotation is the first since France extended its partial privatisation programme.

A consortium of bank advisers are preparing a valuation of Crédit Local in time for a stock market introduction at the end of November.

Currently, the state holds 47.5 per cent of Crédit Local's capital directly, with another 25 per cent in the hands of the Caisse des Dépôts, the state-controlled financing network of which Crédit Local used to be a division until its transformation into a normal company in 1987.

A mixture of foreign and domestic institutional shareholders own the rest of the equity. They will also be free to sell, but the state and the Caisse des Dépôts will keep their combined shareholding at just above 50 per cent, said Mr Richard.

Mr Richard is undeterred by the financial problems to have hit several over-indebted French towns over the past year. He pointed out that Crédit Local's experience in assessing the state of often-impenetrable local authority finances gave it an edge over less specialised lenders.

Crédit Local provides 45 per cent of the lending to the country's local authorities and has an AAA debt rating. It has raised FFr28bn so far this year on the domestic and international markets, almost as much as in the whole of 1990, said Mr Richard. He expected Crédit Local to raise more than 70 per cent – FFr2bn – of its needs on the international bond markets this year.

Crédit Local lent FFr19.1bn in the first eight months of this year, 15 per cent more than during the same period in 1990. Its balance sheet total was FFr243bn at the end of last year, up from FFr214.5bn.

Japanese companies quiet as investors remain cautious

By **Sara Webb**

WHILE South Korean and Taiwanese companies are preparing to launch a stream of equity-linked bond issues over the next few weeks, their Japanese counterparts are noticeably absent from the international markets.

A host of reasons has been given for the shortage of Japanese equity-linked issues, including unfavourable conditions in the Tokyo market, a lack of investor interest in increasing their exposure to Japan, and the fact that September is usually a quiet time for Japanese companies, given that it is the end of their financial half-year.

Several London-based houses predict that Japanese companies will remain loath to issue equity-linked debt while the scandals surrounding Nomura and Nikko, two of the "Big Four" securities firms, dominate the headlines.

News that Nomura is suspected of manipulating share prices, and that both Nomura and Nikko had paid compensation to investors for stock market losses and dealt with gangsters, has led to a sharp fall in the Japanese stock market.

As a result of the fall, many companies are reluctant to issue convertible bonds and bonds with warrants.

"Many Japanese companies think their share price is too low to sell equity-linked issues right now," said one equity syndicate manager, adding: "Japanese companies tend to feel a degree of responsibility to their investor base – unlike companies in certain other markets – so they tend to do equity-linked issues when they think their share price will go up."

Furthermore, it has become more expensive for Japanese companies to swap the dollar proceeds of their issues back into yen now, partly because coupon levels have risen in the last few years.

It seems likely that large Japanese companies which do not actually need to raise money now will wait until market conditions are more favourable.

INTERNATIONAL EQUITY ISSUES

■ Warnaco Group, the US underwear and menswear manufacturer, is expected to raise about $100m in an initial public offering.

The company, which has won approval for a New York Stock Exchange listing, is selling 5.75m shares, of which 1.15m are aimed at international investors. The indicated price is between $16 and $18 per share. Morgan Stanley is lead manager for the issue.

■ Thai Farmers Bank, one of the larger banks in Thailand, is raising about $120m of new capital. It is issuing 10m shares, of which 2.5m will be sold internationally, mainly to Far Eastern funds based in London and Hong Kong.

● SCUDDER Stevens & Clark has launched the Scudder Global Small Company Fund, Reuter reports from New York.

The fund does not carry sales charges, redemption fees or marketing fees. The minimum investment is $1,000, and $500 for Individual Retirement Accounts.

SNB seeks separate takeover legislation

By **William Dullforce** in Geneva

SWITZERLAND'S new stock exchange law should not concern itself with public takeover procedures, the Swiss National Bank (SNB) said yesterday. It should also allow greater freedom for self-regulation by the exchanges than that provided for in draft legislation prepared by the Finance Ministry.

In a position paper made public yesterday, the central bank generally endorsed the draft. It said it created a modern and liberal framework for securities trading broadly compatible with the directives and regulations of the European Community. It approved the transfer of supervisory authority over the bourses from the cantonal governments to the Federal Banking Commission.

The SNB proposed, however, that takeover procedures be dealt with in a separate law. Moreover, while the Finance Ministry's draft could oblige a buyer to declare his interest in a company once he owned 5 per cent of the share capital, the SNB would set a 10 per cent threshold.

In seeking separate legislation for takeovers, the central bank supports the position of Mr Robert Studer, president of Union Bank of Switzerland. Rules for takeovers have become a controversial issue, and bankers fear a decision by the Finance Ministry to cover takeover regulations in a stock exchange bill could delay its passage through parliament.

Separately, the SNB objected that the Finance Ministry had defined illegal manipulation of share prices too broadly. The definition should be limited to instances where false information is supplied with the deliberate intent of influencing prices.

Under a programme agreed last year, the number of Swiss bourses is being reduced from seven to three – Zurich, Geneva and Basle – while planning is already well advanced for a switch to a single electronic stock exchange. With reservations, the three bourses have welcomed the draft legislation.

Demand focuses on Canadian deals

By **Simon London**

THE STRENGTH of international demand for Canadian dollar bonds continues to defy expectations, with a further C$1.5bn bonds launched yesterday.

Bond syndicate managers said last week's cut in US interest rates had intensified the focus on higher-yielding alternatives to dollar-denominated bonds. The Canadian government 30-year bond was yesterday yielding 176 basis points more than the US government long bond.

Province of British Columbia made a rare visit to the international market, launching a C$500m seven-year deal. The issue, lead-managed by Swiss Bank Corporation, carries a 10 per cent coupon, and was priced to yield 45 basis points more than Canadian government bonds.

The bonds were priced roughly in line with seven-year bonds issued by the Province of Ontario, although British Columbia carries a stronger AA1 credit rating and is a less frequent borrower.

Launched early in the day, the deal attracted buying from the Far East as well as continental European demand. The bonds traded at around the fixed re-offer price of 99.70.

Hydro Quebec launched a $1.1bn 30-year global bond issue, following a similar deal from Ontario Hydro last week. The bonds will be priced to yield 82 basis points more than Canadian government long bonds, against 57 basis points available on the Ontario paper in the secondary market.

The Hydro Quebec deal will be priced this afternoon, and is joint lead-managed by Merrill Lynch, ScotiaMcleod, Levesque Beaubien and Yamaichi.

Finland came with a tightly-priced Ecu500m 10-year deal, lead-managed by J.P. Morgan Securities. The bonds carry a coupon of 8¾ per cent and were priced to yield around 4.5 basis points more than French government Ecu bonds, a benchmark of the sector.

The rally in the Ecu market has been such in the past month that the bonds issued yesterday yield just 23 basis points more than D-Mark bonds by the same issuer.

The pricing was seen as tight but fair by participants in the deal. However, syndicate managers said the deal suffered from the more subdued tone in the secondary market this week and rumours of further large issues from sovereign and supranational issuers – notably Spain, Belgium and the European Bank for Reconstruction and Development.

From a fixed re-offer price of 99.25, the bonds traded down to 99 bid by late afternoon, against fees of 0.325 per cent.

Also in the Ecu sector, Japan Highway, the government-backed road financing agency, came with a Ecu140m seven-year deal, lead-managed by Bank of Tokyo Capital Markets. The paper offers a coupon of 8⅞ per cent and was priced to yield 8.95 per cent. The bonds traded at around the fixed re-offer price of 99.60.

CVRD, the Brazilian iron ore producer in which the Brazilian government has a controlling interest, added its name to the list of Latin American borrowers to tap the international bond market. The company launched a $200m three-year deal lead-managed by Citicorp Investment Bank. It pays a semi-annual coupon of 10 per cent and was re-offered to investors at a fixed price of 98.404. At this level, the yield spread over US government bonds is 5 per cent.

Participants in the deal reported broad interest in the paper from European and US accounts. A tranche of the issue will be placed in the US by the lead manager under rule 144a.

● Bankers were yesterday preparing for the official launch of South Africa's first public Eurobond offering since 1985, possibly as soon as today. Deutsche Bank, which is lead-managing the deal, declined to comment on the timing of the deal.

INTERNATIONAL BONDS

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Comp.Vale do Rio Doce(b)†	200	10	98.404	1994	1¼/⅝	Citicorp Inv.Bank
Daiwa Kosho Lease(a)♦	170	4½	100	1995	2¼/1½	Daiwa Europe
Han Yang Chemical Corp(c)§	58	(3¼-3¾)	100	2006	2½/1½	Nikko Secs.
ECUs						
Republic of Finland(a)†	500	8¾	99¼	2001	32.5/12.5bp	JP Morgan Secs.
Japan Highway Public Corp(a)†	140	8⅞	101.175	1998	1⅞/1.725	Bk of Tokyo Cap.Mkts.
CANADIAN DOLLARS						
Prov.of British Columbia(a)†	500	10	101.275	1998	1⅞/1¼	SBC
SWISS FRANCS						
Metropolis of Tokyo(a)**†	100	7	101½	1998	-	IBJ (Schweiz)
City of Copenhagen(a)**†	90	7	101⅛	1998	-	Bank Leu
Nippon Signal**♦	80	5	100	1995	-	Morgan Stanley SA
YEN						
Japan Air Lines Co.(a)†	20bn	6.9	101⅜	2002	2/1¼	Nikko Secs.
Japan Air Lines Co.(a)†	10bn	6.9	101¼	2001	2/1¼	Daiwa Europe

**Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable. b) Put option October 1993 at 98.602%. Coupon payable semi-annually. c) Callable 1/1/94 at 104% declining 1% annually. Put option 4/10/96 to yield 7½%-8%, and 4/10/98 to yield 9⅜%-9⅝%.

Advance on telecom sale

By **John Barham** in Buenos Aires

A GROUP of local and international banks has agreed to advance the government $300m out of the $800m it expects to raise from the sale of 30 per cent of Argentina's two privatised telephone companies.

Morgan Stanley and its Argentine partner Banco Roberts, together with Banco de Galicia of Spain, Banco Tornquist, an affiliate of Crédit Lyonnais, and locally-owned Banco Rio de la Plata, are to advance the funds to Argentina's Treasury at an annual interest rate of 11 per cent. They are acting as underwriters to the sale.

Mr Martin Vedrado, president of the National Securities Commission, said the advance would go to the insolvent social security fund, which is to be restructured and privatised by the end of this year.

The government's 30 per cent holding in the two telephone companies is to be floated on the local and international capital markets in November, a year after they were created through the privatisation of ENTel, the state-owned telephone network.

Scapa secures Pru loan

By **Richard Waters**

PRUDENTIAL Insurance Company of America yesterday gave further evidence of its interest in lending long-term to UK companies with news of a $100m deal for Scapa Group.

The US's largest insurer has already proved an active long-term lender this year in transactions involving Williams Holdings and Simon Engineering, two other UK companies which are seeking to develop their US operations.

Scapa, a manufacturer of specialist products for the paper and printing industries, was itself involved in a US acquisition last month.

The latest private placement involving the Prudential, arranged by Lazard Brothers, the UK arm of the investment banking group, enables Scapa to refinance a variety of short- and medium-term dollar debt and some of it bank finance, as well as to raise new money.

The fixed rate of 9.47 per cent equates to a spread of roughly 1.5 per cent over the US long bond. The 15-year deal has an average life of just over 11 years.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tue Sep 17 1991 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1991 to date	Mon Sep 16 Index No.	Fri Sep 13 Index No.	Thu Sep 12 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (183)	856.30	-0.7	9.43	5.64	13.14	28.07	862.49	867.23	871.75	690.83
2	Building Materials (24)	1118.87	-0.6	8.01	5.56	15.93	33.99	1125.38	1124.99	1132.01	846.25
3	Contracting, Construction (31)	1184.80	+0.1	8.31	6.36	16.31	42.94	1184.04	1174.77	1172.26	1062.49
4	Electricals (11)	2404.47	+0.1	9.58	5.49	13.39	69.65	2402.53	2429.23	2456.19	1878.29
5	Electronics (24)	1771.41	-0.2	9.97	5.08	12.55	49.11	1774.65	1775.79	1802.21	1531.40
6	Engineering-Aerospace (8)	368.73	-1.6	16.76	6.80	7.20	14.36	374.75	378.57	378.49	412.74
7	Engineering-General (45)	494.76	-0.7	10.47	5.18	11.71	14.61	498.49	501.51	501.97	390.45
8	Metals and Metal Forming (8)	450.26	-0.8	14.55	7.84	8.34	17.48	453.78	449.40	448.14	403.28
9	Motors (12)	359.65	-0.8	8.15	6.68	15.68	14.36	362.48	364.70	366.25	286.45
10	Other Industrial Materials (20)	1622.47	-1.2	7.88	5.02	15.07	55.15	1642.26	1669.63	1680.00	1170.07
21	CONSUMER GROUP (188)	1556.25	-0.8	7.40	3.58	16.68	30.65	1569.43	1580.36	1584.10	1161.47
22	Brewers and Distillers (22)	1895.11	-0.6	8 11	3.53	15.04	34.88	1907.50	1920.02	1927.29	1425.99
25	Food Manufacturing (19)	1237.82	-0.2	9 29	4.03	13.30	26.32	1240.04	1244.89	1246.39	990.94
26	Food Retailing (17)	2633.40	-2.9	8.17	3.17	16.01	45.01	2712.32	2727.97	2726.16	2400.41
27	Health and Household (22)	3668.94	-0 7	5.51	2.56	20.82	58.20	3695.62	3736.16	3749.26	2311.48
29	Hotels and Leisure (23)	1365.42	-0.8	8.00	5.16	15.22	37.66	1376.36	1379.07	1388.58	1166.30
30	Media (26)	1533.82	....	7.19	4.63	18.13	41.89	1533.76	1531.02	1536.26	0.00
31	Packaging, Paper & Printing (18)	759.57	....	7.33	4.27	16.57	22.26	759.98	767.86	768.47	486.40
34	Stores (32)	1015 46	-1.0	7.50	3.66	17.40	18.14	1025.54	1036.49	1035.34	747.69
35	Textiles (9)	637.90	-0.8	7.22	4.87	17.58	15.16	643.32	645.92	651.48	404.10
40	OTHER GROUPS (109)	1284.17	+0.4	9.41	5.06	13.31	35.14	1279.09	1280.58	1287.23	974.18
41	Business Services (12)	1437.89	-0.4	7.50	4 57	16.50	30.08	1443.24	1437.37	1439.46	0.00
42	Chemicals (21)	1435.32	-0.3	7.08	5.03	17.46	47.20	1440.08	1468.54	1479.90	980.72
43	Conglomerates (10)	1498.15	+1.0	9.81	7.04	12.34	37.80	1483.32	1478.08	1493.09	1279.47
44	Transport (13)	2372.91	-0.1	7.19	4.79	17.23	66.14	2375.15	2368.98	2366.23	1860.59
45	Electricity (16)	1243.69	-0.1	14.20	5 23	9.04	27.53	1244.56	1243.88	1244.13	0.00
46	Telephone Networks(4)	1563.00	+1.4	9.59	3.88	13.64	28.34	1540.75	1524.30	1541.40	1099.50
47	Water(10)	2532.39	+0.3	16.15	6.08	6.86	118.37	2525.80	2528.70	2513.36	1975.17
48	Miscellaneous (23)	1868.06	-0.4	5.36	5.30	25.83	68.99	1876.34	1908.70	1912.12	1482.03
49	INDUSTRIAL GROUP (480)	1299.00	-0.4	8.44	4 45	14.72	32.07	1304.46	1310.74	1315.75	989.93
51	Oil & Gas (20)	2389.71	-0.4	10.90	5.81	12.13	92.64	2398.71	2441.00	2460.34	2454.65
59	500 SHARE INDEX (500)	1393.47	-0.4	8.74	4 62	14.35	36.86	1399.25	1408.16	1414.25	1108.68
61	FINANCIAL GROUP (92)	831.53	....	-	5.62	-	29.98	831.29	835.64	839.80	662.24
62	Banks (9)	966.88	-0 2	4.41	5.51	42.56	36.83	969.13	977.67	982.60	696.79
65	Insurance (Life) (7)	1592.32	+1.4	-	5 31	-	60.57	1570.43	1593.35	1587.12	1298.43
66	Insurance (Composite) (6)	641.33	-1.0	-	6.87	-	28.25	648.07	648.36	664.14	565.64
67	Insurance (Brokers) (9)	1167.85	-0.3	6.98	5.78	18.75	41.27	1171.00	1179.30	1165.78	788.62
68	Merchant Banks (7)	461.68	+0.3	-	4.54	-	12.54	460.36	460.33	457.07	344.33
69	Property (36)	964.43	+0.7	5.76	4.83	24.46	22.40	957.99	951.34	953.91	885.67
70	Other Financial (18)	268.09	+0.1	10.70	6.78	11.75	9.28	267.71	268.96	268.32	245.03
71	Investment Trusts (69)	1243.46	....	-	3.48	-	25.50	1243.11	1251.78	1250.67	1027.27
99	ALL-SHARE INDEX (661)	1257.00	-0.3	-	4.72	-	34.68	1261.32	1269.19	1274.61	1001.50

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Sep 16	Sep 13	Sep 12	Sep 11	Sep 10	Year ago
FT-SE 100 SHARE INDEX♦	2594.4	-11.6	2612.7	2587.1	2606.0	2625.8	2641.9	2626.6	2630.8	2064.0

FIXED INTEREST

	PRICE INDICES	Tue Sep 17	Day's change %	Mon Sep 16	Accrued Interest	xd adj. 1991 to date
	British Government					
1	Up to 5 years (28)	122.74	-0.04	122.79	2.31	8.23
2	5-15 years (27)	135.60	-0.06	135.68	2.03	9.88
3	Over 15 years (9)	143.39	-0.08	143.51	0.72	10.60
4	Irredeemables (6)	160.80	+0.03	160.76	2.88	8.83
5	All stocks (70)	133.80	-0.06	133.88	2.04	9.48
	Index-Linked					
6	Up to 5 years●(2)	164.26	+0.01	164.25	0.32	2.72
7	Over 5 years ●(9)	148.17	-0.13	148.37	0.57	3.42
8	All stocks ●(11)	149.27	-0.11	149.44	0.53	3.40
9	Debs & Loans (58)	115.22	+1.00	114.09	2.14	7.83

	AVERAGE GROSS REDEMPTION YIELDS		Tue Sep 17	Mon Sep 16	Year ago (approx.)
	British Government				
1	Low	5 years	8.56	8.54	11.06
2	Coupons	15 years	9.35	9.35	11.06
3	(0%-7¾%)	20 years	9.35	9.35	11.06
4	Medium	5 years	9.64	9.62	12.14
5	Coupons	15 years	9.51	9.50	11.58
6	(8%-10¾%)	20 years	9.47	9.46	11.28
7	High	5 years	9.83	9.81	12.23
8	Coupons	15 years	9.59	9.58	11.85
9	(11%-)	20 years	9.52	9.51	11.60
10	Irredeemables	†	9.56	9.56	11.15
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.●	3.97	3.96	4.70
12	Inflation rate 5%	Over 5 yrs.●	4.22	4.21	4.34
13	Inflation rate 10%	Up to 5 yrs.●	3.32	3.31	3.45
14	Inflation rate 10%	Over 5 yrs.●	4.04	4.02	4.14
15	Debs &	5 years	11.29	11.28	13.97
16	Loans	15 years	11.01	11.07	13.07
17		25 years	10.79	10.92	12.75

♦Opening index 2611.2; 9 am 2607.8; 10 am 2595.4; 11 am 2598.5; Noon 2592.8; 1 pm 2592.9; 2 pm 2592.9; 2.30 pm 2589.5; 3 pm 2591.6; 4.10 pm 2595 4; (a) 8.39am (b) 2.43pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, Ibex House, 42-47 Minories, London EC3N 1DY. Tel: 071-702 0991. ●- Corrected figures for 16/9/1991:- All stocks 149.44, 1 to 5 years 164.25, Over 5 years 148.37, Redemption Yields- 5% up to 5yrs 3.96, 5% over 5yrs 4.21, 10% up to 5yrs 3.31, 10% over 5yrs 4 02.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	0	59	23
Corporations, Dominion and Foreign Bonds	0	5	15
Industrials	275	284	944
Financial and Properties	130	113	516
Oils	12	28	48
Plantations	0	0	10
Mines	27	45	83
Others	29	59	47
Totals	473	593	1,686

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renun. Date	1991 High	1991 Low	Stock	Closing Price p	+or-	Net Div.	Times Covered	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renun. Date	1991 High	1991 Low	Stock	Closing Price £	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renun. Date	1991 High	1991 Low	Stock	Closing Price p	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON TRADED OPTIONS

Option	CALLS			PUTS		
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TRADITIONAL OPTIONS

● First Dealings Sept. 9
● Last Dealings Sept. 20
● Last Declarations Dec. 5
● For settlement Dec. 16

For rate indications see end of London Share Service

Calls in Aviva Pet., Barratt Devs., Caird, Hanson warrants, Natl. Home Loans, Racal Elects. and Wilshaw. Put in Maxwell Comm. Puts and calls in Owners Abroad and WPP.

UK COMPANY NEWS

Strength of brands helps counteract impact of recession

MB-Caradon limits fall to 12%

By Jane Fuller

MB-CARADON, the building products, packaging and printing concern, limited its pre-tax profit fall to 12 per cent, from £53.4m to £47.2m, in the first half of 1991.

Turnover declined to £335.5m (£358.9m).

In building products, which is largely UK-based, operating profit slipped to £29m (£31.5m) on sales of £256.9m (£270.3m).

Mr Peter Jansen, chief executive, said the impact of the UK recession had been counteracted by the strength of its brands – including Everest double glazing and Twyfords bathrooms – and by holding prices. On the continent, the radiator business enjoyed strong sales in Germany.

He said there was increasing anecdotal evidence of an improvement in UK conditions, "but no upturn in volumes yet".

Cost reductions included the shedding of 1,000 jobs, provided for when the rump of MB acquired Caradon in late 1989. This followed the merger of the packaging interests of Metal Box and Carnaud, of France, to create Europe's largest packaging group.

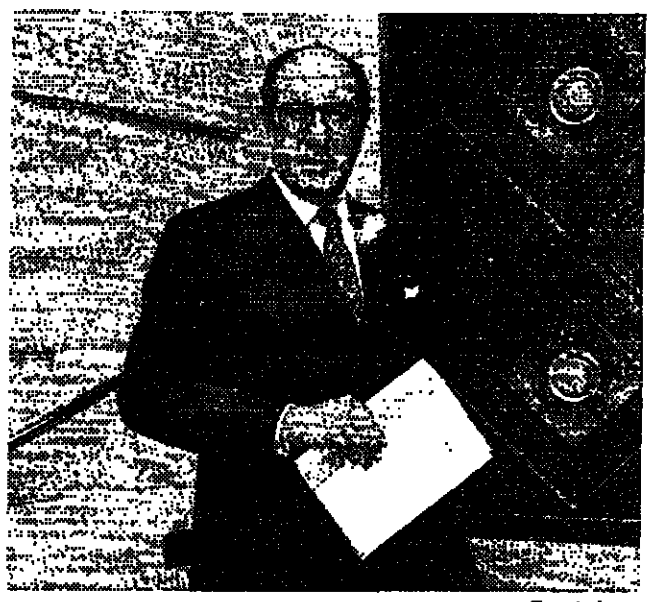
MB-Caradon owns 25.1 per cent of CMB Packaging and last year the profit contribution fell 14 per cent. In the first half of this year the decline was reversed and MB took a £17.9m share of CMB's profit, the same as the first half of last year.

Mr Jansen said that the management reorganisation, announced last week, showed that MB had influence over the business and that it was working closely with its French partner, the investment company CGIP.

The US cheque printing business had suffered some disruption during the merger of the two businesses, and exchange rates had also moved against it. Operating profit fell to £11.8m (£14.2m).

Net debt rose to £229m (£219m), compared with shareholders' funds of nearly £500m at the year-end. Interest costs were £11.5m (£10.2m).

Fully diluted earnings per share fell to 7.1p (8.1p). The interim dividend is maintained at 2.75p.



Tony Andrews

Peter Jansen: no upturn in volumes yet

● COMMENT

MB-Caradon has kept its nerve through the building products recession and held prices, which has not only limited the damage but also puts it in a good position once volumes return. But in spite of encouraging anecdotes, that is not expected to happen until early next year. The cheque printing side should have a much better second half, helped by a more favourable dollar-sterling rate. With CMB reviving even before MB and its partner took it by the scruff of the neck, this should leave full-year pre-tax profit intact at about £102m. The expected tighter management of CMB will either make it a better investment for MB, or a more saleable commodity if MB wants cash to expand its building products business. If the latter is its intention, leaving it too long could mean missing bargains among beleaguered rivals. After a strong run, the stock is on a prospective multiple of just over 16 on yesterday's close of 250p, leaving little room for short-term improvement.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
AB Electronic ....fin	0.1	Nov 21	13.5	0.1	17.5
Brake Bros ....int	1.65†	Dec 30	1.5	-	5.25
Brit Polythene ....int	3	Nov 29	3	-	8.25
Brixton Estate ....int	2.9	Oct 26	2.55	-	7.1
CI ....int	0.825	Jan 2	0.825	-	2.05
Clyde Petroleum ......int	0.5	Oct 31	0.5	-	1.25
Colorgraphic ....int	nil	-	2	-	6.86
Fisons ....int	3.3	Jan 2	2.85	-	7.5
Golden Vale ....int	0.42♣	Nov 22	0.36	-	1.14
Green (Ernest) §.......fin	4.25	Dec 10	4.25	7	7
Jeyes § ....int	2.6	Dec 27	2.2	-	5.4
Kingfisher ....int	4	Nov 1	3.8	-	12.2
Kleinwort Dev ....fin	6.75	Dec 2	6.09	9.5	8.6
MB-Caradon ....int	2.75	Oct 31	2.75	-	8.5
Proudfoot (Alex).......int	6	Oct 31	6	-	19
River/Merc Amer ....int	1.8‡	Nov 7	1.8	-	7.8
Sema ....int	1	Nov 1	0.9	-	2.5
SWP § ....fin	0.6	Oct 18	0.6	0.6	0.6
Tesco ....int	2†☆	Nov 29	1.7	-	5.25
Trinity Intl ....int	2.6	Oct 25	2.6	-	8
United Friendly ....int	4.2	Nov 7	3.5	-	10.25
Watmoughs ....int	2.5	Nov 8	2.5	-	10.25

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ☆Carries scrip option. ♣Irish pence. ‡Second interim.

Fall in quoted companies in north-east England

By Chris Tighe

THE NUMBER of quoted companies in north-east England has declined significantly in the last decade, making the region increasingly dependent on decisions taken elsewhere, according to a survey by chartered accountants and business advisers Price Waterhouse.

The survey said 26 quoted companies were headquartered in the region, seven fewer than 10 years ago, but only 10 of the 33 recorded in 1981 appeared on the 1991 list.

Of the 23 no longer regionally headquartered, 15 were taken over by companies based elsewhere, six ceased trading – mostly due to receivership – and two relocated.

The survey said 16 locally-headquartered companies not quoted in 1981 came to the market during the decade, but, with the exception of the privatised water and electricity companies, they remained smaller than their predecessors.

According to the survey, quoted companies headquartered in the north-east employed 37,000 people and generated total turnover of more than £3bn. Just five companies – Northern Electric, Northumbrian Water, Vaux, Cowies and Barratt Developments - accounted for 75 per cent of turnover and 59 per cent of employees.

Since the survey was completed one of the 26 companies, Ramar of Crook, Co Durham, has gone into receivership.

Alexander Proudfoot manages 2% gain

By Bronwen Maddox

DESPITE US and European recession, Alexander Proudfoot, international management consultantcy, pushed interim pre-tax profits ahead by 2 per cent to £23.8m (£23.3m).

Turnover for the six months to end June fell by 7 per cent to £88.5m (£95.5m), a third still derived from the US.

Operating profit fell by only £0.4m to £22.3m because of further cost savings from the integration of Crosby, bought in 1989 for $65m (£37.3m).

Net interest received rose to £1.5m (£600,000). Net cash balances soared to £34.1m in June 1991 from £8m a year earlier and £16.8m at the year end

Business Advisory Services, made a small undisclosed profit in the three months it was included and its sale produced an extraordinary item of £2.1m.

Last month Proudfoot announced that it was buying the largest Scandinavian consultancy Indevo for £12m in cash, to bolster a region where the company had been weak. Mr Neil Hamilton, finance director, said that the company would continue to look for acquisitions internationally of around Indevo's size.

Fully diluted earnings scraped ahead to 22.7p (21.82p) and the interim dividend was maintained at 6p.

The company was beginning to see some improvement in trading conditions, Mr Hamilton said.

● COMMENT

These results will bring relief on two counts. Not just that a management consultancy has managed to maintain profits in a recession. Those who have preferred to regard it as a MIM-backed vehicle - Lord Stevens is chairman of investment institution MIM as well as Proudfoot – were wary earlier this year when MIM cut its shareholding from 13 per cent to 7 and must be glad to see profits match the market's expectations. Meanwhile, the European expansion will reassure those who were perturbed that a predominantly US business, as it was in 1987, chose to join the UK not the US market. On £50m pre-tax for the full year and earnings of around 47.5p the prospective p/e of 8.6 shows some discount and wariness are still there, but the yield of around 6.8 per cent continues to be considerable compensation.

BOARD MEETINGS

TODAY

Interims- Abbott Mead Vickers, Blockleys, Bowthorpe, Calor, Fitch RS, Jardine Matheson, Kwik-Fit, London Forfaiting, MMI, North Sea Assets, Secure Trust, Spandex, Stag Furniture, Steel Burrill Jones, Trade Indemnity, Worcester.

Finals- Alumasc, Community Hospitals, Merivale Moore.

FUTURE DATES

Interims-

Clayform Properties	Sep. 27
Computer People	Sep. 30
Davis Service	Sep. 19
Dinkie Heel	Sep. 20
Dunloe House	Sep. 24
Garton Engineering	Sep. 24
Hemingway Properties	Sep 20
Korea Liberalisation Fund	Sep. 23
London Atlantic Inv Tst	Oct. 15
Meggitt	Sep. 24
Rutland Trust	Sep 23
Scottish Television	Oct. 4
T & S Stores	Sep. 25
Whatman	Sep. 26

Finals-

Bailey (Ben)	Sep. 27
CALA	Sep. 19
Cooper Clarke	Oct. 7
Frogmore Estates	Sep. 25
Goodwin	Sep. 27
Halstead (James)	Oct. 4
Hidong Estate	Sep. 26
Magnetic Materials	Oct. 1
Meunders (John)	Oct. 9
Throgmorton Dual Trust	Sep. 26

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 18.09.91: Pool purchase price £/MWh	Final Prices for Trading on 21.08.91: Pool purchase price £/MWh	Pool selling price £/MWh
0030	16.11	17.22	18.09
0100	16.11	15.67	15.67
[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

Brent Walker banks expected to turn down Lonrho offer

By Robert Peston

BRENT WALKER's banks are today expected to rebuff the tentative takeover offer from Lonrho and will attempt to resuscitate the original refinancing proposals formulated by the troubled leisure and property group to avoid receivership.

The steering committee representing Brent Walker's 47 banks is meeting this morning, when its formal decision will be taken. But bankers on the steering committee, which is led by Standard Chartered, said they were likely to scupper Lonrho's proposal.

If they refuse to allow Lonrho to proceed, Brent Walker's only hope of avoiding receivership is to persuade holders of £100m of convertible bonds to drop their opposition to a refinancing package.

Hill Samuel, Brent Walker's merchant bank, will offer the bondholders an improved stream of income on the preference shares they would receive in the refinancing.

"More income is of no interest to us", said one bondholder. "The preference shares are worthless anyway. What is the point of having more of something that is worthless."

However, an adviser to Mr Michael Smurfit, the Irish businessman who owns 10 per cent of the bonds, said Mr Smurfit would be keen to negotiate improved terms in a refinancing. He countered suggestions that Mr Smurfit was firmly wedded to Lonrho's plan.

Brent Walker is delighted by the stand taken by the banks. It has consistently shown a preference for the refinancing package over Lonrho's takeover plan. It told the banks it was unable to negotiate with bondholders on new refinancing terms while the bondholders were distracted by the prospect of the Lonrho takeover.

Brent Walker and its banks had told Lonrho they would block its takeover plan unless it met some tough conditions. They told Lonrho they wanted to receive concrete takeover terms this week.

However, Lonrho is insisting on carrying out an inspection of Brent Walker's assets, which would last between two and three weeks, before offering irrevocable terms.

"Would you buy a house without doing a search?", asked Mr Paul Spicer, a director of Lonrho.

However Lonrho said it would provide finance to Brent Walker to keep it going during this inspection, a process known as due diligence. But it wanted to have first claim on the company's assets, ahead of the banks, to recoup any money it injected, in the event that it did not make a formal offer.

"That is not on", commented one member of the steering committee. "Lonrho has to demonstrate that it is prepared to suffer some pain."

One of Lonrho's advisers countered that the security it was demanding for the money it would inject into Brent Walker was no different from the security the banks were taking for the money they were putting into the company.

Aberfoyle faces administration after refinancing talks halted

By Joel Kibazo

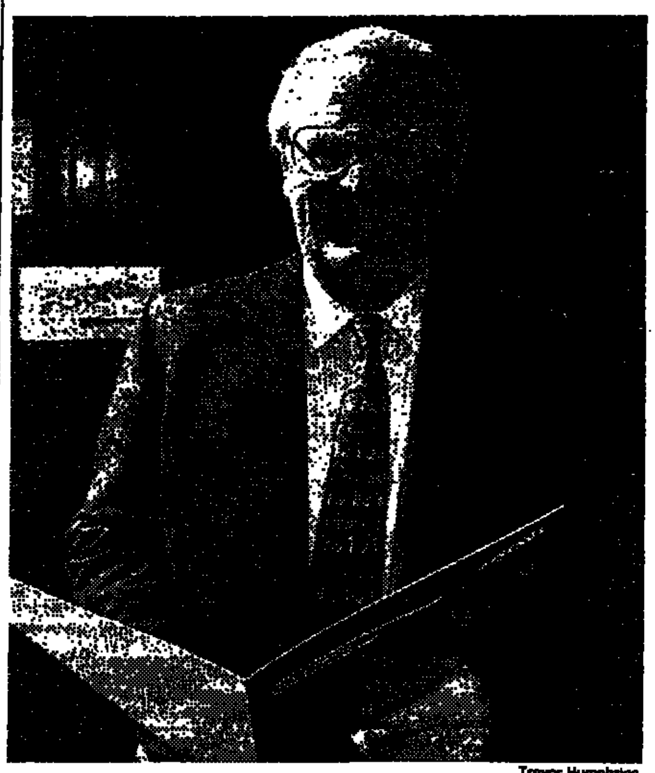
ABERFOYLE Holdings, the agriculture, textile, security products and services group, yesterday faced the prospect of going into administration after refinancing talks had been suspended.

The company, where a group of shareholders recently called for an extraordinary general meeting to replace the board, refused to say why the talks had broken down but said its financing was "presently dependent upon a facility provided by Aberfoyle's chairman and his related interests."

The company is now making approaches to the dissident shareholders, thought to control more than 40 per cent. But it warned that failure to secure finance could mean that it "will seek an order to be placed into administration".

The move by Aberfoyle appears to have taken the group of aggrieved shareholders by surprise though Mr Barry Trowbridge, the dissident's candidate for managing director, said: "We welcome the chance to meet with the company. We can at last get some information about its true finances."

The group includes Crescent Africa, a private company with a 26 per cent stake, whose chairman, Mr Kojo Owusu-Nyantekyi, first called for the board's removal two years ago.



Trevor Humphries

Chairman of Fisons in bullish mood

Mr John Kerridge (left), chairman and chief executive of Fisons, who was bullish about the prospects for recently launched drugs and ones in the pipeline.

In the respiratory family, the newer drug Tilade had achieved market shares of more than 5 per cent in several European countries.

New allergy therapies for the eyes and nose included Tilarin, a nasal spray for hay fever which had just gained approval in Germany.

Respiratory and allergy products accounted for just over 50 per cent of pharmaceuticals sales, which amounted to £243.6m in the first half.

In a different field, Remacemide, an anti-epileptic drug, also had potential in the treatment of strokes and degenerative conditions, such as Alzheimer's disease.

UK COMPANY NEWS

Racal proves a mixed performer

Richard Gourlay gives a divisional breakdown of the Williams target

IF WILLIAMS's £703m bid for Racal Electronics is successful, the acquisitive Derby-based conglomerate will be taking on an eclectic assortment of businesses.

Racal's interests in seven divisions cover security, data communications, radio communications, marine and energy, defence radar and avionics, specialised businesses and network services.

On a pro-forma basis, sales of these businesses in the year to March 1991 would have been £1.55bn from which the company would have incurred pretax losses of £21.8m.

This compares with profits of £36.6m in 1990 and £93.3m in the previous year.

By far the most important part of the remaining Racal "rump" is the security business, which in 1991 accounted for £648m of sales and £44.7m of operating profits.

This division encompasses electronic and manned security, fire protection, commercial, domestic and motor locks and safe equipment. It is this business which Williams is most interested in.

Mr Nigel Rudd, Williams's chairman, said yesterday that had he received an approach from Sir Ernest Harrison, chairman and chief executive of Racal, Williams would have been a willing buyer of this business.

Helicopters, both civil and military, use Racal's avionics for navigation and flight management

He received no approach and did not believe that any approach from Williams would have been welcomed.

The business is seen as mature but highly cash generative, and Mr Rudd says there is considerable scope to increase margins.

At Yale and Valor, the US security company bought by Williams in March this year, margins were about 10 per cent before it was bought, and have already been raised to 15 per cent.

Mr Rudd says Chubb's margins are even lower than Yale and Valor's were before the acquisition.

Of the other businesses, the marine and energy division was the largest contributor to operating profit with £14.9m from only £137m of sales.

Analysts say this has been a surprisingly good performer recently, particularly from its servicing of the oil exploration market.

The radio communications division was the only other contributor to profits, having had what could be termed a "good" Gulf war. The radios were widely used in the conflict and Racal has an assembly plant agreement in Saudi Arabia.

Operating profits of this division were £11.4m from £144m of sales in the year to end-March.

After these profitable businesses come the loss-makers, led by network services, which supplies, owns and operates data communications between 21 government departments with 55,000 users.

The service has absorbed significant amounts of cash in its development stage but is becoming less demanding as installation has almost ended.

Nevertheless, the loss in January of the opportunity to supplement the service with a government contract to supply a voice network dramatically reduced the potential of the business.

Analysts forecast that it is likely to turn in profits shortly.

Data communications has also been a significant drain, losing £12.1m on sales of £321m.

This business has faced a particularly tough time in the US where competition is very tight. It is one area Williams might be thinking of selling, analysts say.

The other is defence radar and avionics, which made losses of £412,000 on sales of £127.4m. This division, though a "fit" with Williams's defence business, is currently suffering from the tough post-cold war spending environment.

Amstrad sues a second US company

By Michael Skapinker

AMSTRAD is suing a second US company, Western Digital, for allegedly supplying faulty disc drives.

Western said the claim was unfounded and that it was considering counter-suing for "exceptionally large expenditures" it made in helping Amstrad resolve problems with its computers.

The $141m (£83m) suit comes a day after Amstrad said it was suing Seagate Technology of the US for allegedly supplying faulty drives.

The two suits are the result of quality problems Amstrad experienced with its personal computers in the late 1980s. It recalled 7,000 of its computers in 1989 after faults were discovered in some drives.

Amstrad intends making an exceptional £20m write-down in the current year against stocks of unsold computers.

Proceedings have been started in California, where Western has its headquarters. Western said it had been told by Amstrad's lawyers that they would be claiming $3m for out-of-pocket expenses, $38m in lost profits and $100m for damage to Amstrad's reputation and loss of goodwill.

Western said the drives it supplied met Amstrad's specifications. It added that Amstrad did not complain until 18 months after shipments began.

The US company said Amstrad had complained that the drives did not meet the quality levels of those supplied by Tandon Corporation for use in earlier personal computer models. However Western said the drives it supplied were based on a design it acquired when it bought Tandon's disc drive operation in 1988.

Declining sector fails to halt Brake Bros advance to £6.9m

By Peggy Hollinger

BRAKE BROTHERS, Britain's largest supplier of frozen food to the catering trade, bucked the trend of a declining sector to report a 12 per cent rise in underlying sales growth and an advance of almost 11 per cent in interim profits.

Mr Frank Brake, managing director, said the group had achieved the increases by broadening its customer base.

The group, which is estimated to have about 15 per cent of a highly fragmented UK market worth about £1.3bn a year, increased pre-tax profits from £6.3m to £6.95m.

Turnover for the six months to June 30 rose 16 per cent to £103.5m. More than 3 per cent of the improvement in sales was due to acquisitions, leaving underlying growth of 12.4 per cent.

Mr Brake said all divisions of the business had performed well: "It was just the day-in day-out graft of moving the company forward which produced the results."

Margins suffered slightly, falling from 7.2 per cent to 7 per cent, due to the squeeze in the catering sector.

Mr William Brake, chairman, warned that the second half would continue to reflect difficult trading conditions.

However, the company aimed to continue developing its facilities, with capital expenditure of some £12m planned for the year. About £6m was spent in the first half, compared to £3.6m last time.

The largely cash acquisitions of fresh fish suppliers, Midfish and WH Hooper, had had a neutral effect on profits. The chairman said the businesses had given Brake Bros "a valuable entry into an important sector of the market".

The group said there was a possibility of more acquisitions in the second half. ""There is greater opportunity for expansion that way than there has been in the past," said Mr Frank Brake.

Earnings per share rose to 10.1p (8.9p) and the interim dividend is up from 1.5p to 1.65p.

● COMMENT

There is no doubt that Brake Brothers has boosted its market share in extremely tough conditions: and, with just 15 per cent at the moment, there is a lot more room to grow. Long-term investors will be further drawn to the group's reputation for sound management, its track record – 20 per cent earnings growth per annum in recent years – and its cautious but steady acquisition policy. However, the bears question whether the full value is already in the share price which last night closed up 6p at 400p. Forecasts are pinned at about £16.2m, giving a prospective p/e of 17. What happens next year depends on recovery in the sector, of which there is as yet not even a peep. Still, Brake's record seems to show it will benefit quite nicely from any pick up. It appears to be a fairly good bet in the long-term for those who can lay their hands on the tightly-held stock.

Whyte & Mackay offer for Invergordon extended

By Bronwen Maddox

WHYTE & Mackay Group yesterday won permission from the Takeover Panel to extend its offer for Invergordon by three weeks until the Office of Fair Trading had decided whether to refer the bid to the Monopolies and Mergers Commission.

On August 6 Whyte & Mackay, the drinks subsidiary of American Brands, launched a £286m battle for Invergordon, the Scotch whisky group.

The OFT announced on September 12 that its decision on whether to refer the bid would be delayed until October 10.

The Panel's ruling yesterday means that the last day on which Whyte & Mackay could post a revised offer document is now October 12, after the decision on monopolies referral, instead of the original September 21.

The Panel felt the extension would help Invergordon shareholders to receive the best offer for their shares.

Restructuring and falling demand put AB Elect in red

By Michiyo Nakamoto

FALLING DEMAND and hefty restructuring costs were blamed for the fall into pre-tax losses of £8.27m by AB Electronic Products Group, the electronic components manufacturer based in Glamorgan, in the year to June 30. The previous year had shown a profit of £11.13m.

There is a proposed final dividend of 0.1p (17.5p) after the interim was passed.

And the group warned of a projected loss for the first three months of the present year as the current order intake remained weak. Further cost-cutting measures were planned.

Trading profit for the period under review slumped to £8.66m, compared with £24m on turnover down from £261.3m to £213.4m.

There was an exceptional charge of £2.35m this time resulting from redundancies and rationalisation costs. During the year the group shed 1,500 jobs, and the workforce has been reduced by a further 400 since the year end.

There was an extraordinary charge of £3.5m (£2.54m) also relating to restructuring costs.

Sir Peter Philips, chairman, said that the cost base had been reduced substantially through the restructuring and rationalisation programme, lowering the break-even point.

The group's businesses were being focussed on contract assembly and automotive electronics. The customer base had been successfully expanded, particularly in the automotive, telecommunications and consumer sectors, Sir Peter said.

Efforts were also being made to reduce reliance of the contract assembly business on the computer industry.

Borrowings were £28.9m at the year end, for gearing of 75 per cent. This is expected to fall in the current year through further working capital reductions, cash inflow and tax credits and depreciation exceeding capital expenditure, the group said.

Losses per share were 13.4p (28.4p earnings).

● COMMENT

The fall into loss was more or less as anticipated, and attention was focused on AB's efforts to pull out of its doldrums. These have been strenuous, with 1,900 redundancies, the closure of three factories and the disposal in April of Page, the aerospace and defence product business. Although there is little prospect of a substantial upturn in the near future, the City appears to judge the group's recovery potential as being fairly good. Forecast profits of £1.7m gives earnings of 4.1p against a share price of 100p which makes the multiple meaningless. However, the group's balance sheet is intact, with borrowings actually down from the interim stage. It has net asset value per share of 140p and given that the recovery prospects are there, the shares should probably be closer to that figure.

COMPANY NEWS IN BRIEF

BENSON GROUP: Acceptances of its rights issue have been received in respect of 84 per cent of the shares offered.

BORTHWICKS through its natural flavourings subsidiary Barnett & Foster, has acquired Cooke Tweedale & Lindsay, a Manchester supplier of flavourings to confectionery companies. The price, including freehold premises, was £850,000 in cash. Book value of net assets was £177,000 as at May 31 1991.

CAPITAL & COUNTIES: Rights issue has been accepted in respect of 96 per cent of the 45.4m shares on offer. TransAtlantic Holdings has taken up its full entitlement maintaining its fully diluted interest at 75.8 per cent.

CATTLE'S (HOLDINGS): At EGM shareholders approved exercise of Rexmore's option requiring Cattle's to purchase Rexmore's 20 per cent stake in Rosebys, a curtains and household linens retail chain, for £2.84m in cash. Rosebys, which will then become a wholly owned subsidiary of Cattle's, had net assets of £4.12m at end-1990.

DOWTY GROUP: Dowty Circuits has been purchased by its management. Total funding package of £3m includes equity from Midland Montagu Ventures and term loan facilities from Midland Bank.

FOLKES GROUP is selling Folkes Engineering to Hampson Alcosa and others for an initial £419,000 and a further £250,000 based on stock at completion and sales during the next year.

UNIDARE is involved in discussions with SE Carburos (Carburos Metalicos) which is likely to lead to the sale of the welding division of Carburos to Unidare.

UK COMPANY NEWS

Asda and Sears make changes in the boardroom

By John Thornhill

A GAME OF musical chairs was played in the boardrooms of two FT-SE Index retailers yesterday as both Sears and Asda announced management changes.

Asda, the Leeds-based food retailing group which lost its chairman and chief executive when Mr John Hardman quit in June, announced that it had appointed Mr Patrick Gillam as chairman. The 58-year-old Mr Gillam was previously chairman of BP Oil.

But Asda still had no news about recruiting a new chief executive, an appointment many analysts view as being essential before a much-needed rights issue can be launched.

The company has come under strong pressure from its rivals in the food retailing sector and faces an uphill struggle in reviving confidence in the City. Its shares were knocked again yesterday and closed 5p down at 94p.

Mr Gillam, who spent 34 years at BP, will succeed Sir Godfrey Messervy following Asda's annual meeting today. Sir Godfrey had been appointed as an interim chairman following Mr Hardman's departure but was hampered in his role by a mild heart attack. He has since recovered and will resume his former role as a non-executive director.

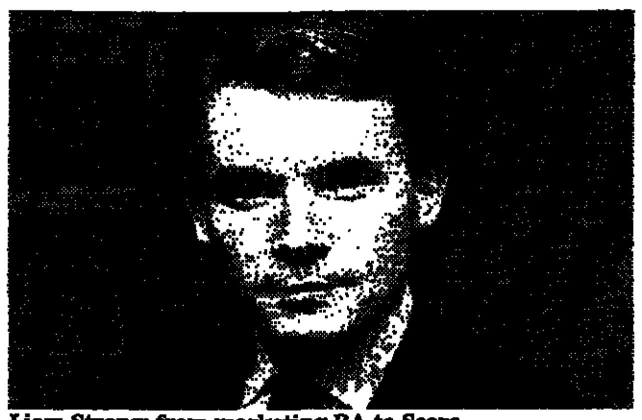
Mr Frank Knight, a deputy chairman of United Biscuits, will also join Asda today as a non-executive director. He has extensive executive experience at a range of food and consumer products companies.

Sears, the retailing group which includes Selfridges, Olympus and Dolcis, confirmed yesterday that it had recruited a new chief executive to succeed Mr Michael Pickard when he retires next March.

He is Mr Liam Strong, 46, who announced on Monday that he was to leave British Airways, where he was director of marketing and operations. Mr Strong will join the Sears' board in November to learn about the business.

Mr Geoffrey Maitland Smith, Sears' chairman, said: "At this stage in our corporate life we need to look closely at consumer needs and customer service. Liam Strong can bring a lot more to the party."

Mr Pickard, who has been chief executive since February 1988, is to become chairman of the London Docklands Development Corporation.



Liam Strong: from marketing BA to Sears

Trinity falls 24% to £6.9m

By Raymond Snoddy

TRINITY International Holdings, publisher of Liverpool's Daily Post and Echo, yesterday announced a 24 per cent drop to £6.93m in pre-tax profits for the six months to end-June.

The result compared with £9.1m for the same period last year, but Mr David Sneddon, managing director of the group, which also has significant packaging and paper manufacturing businesses, said the result was good given the depths of the recession.

Profits at Trinity's UK newspapers, based in north Wales and the north west of England, were held to 90 per cent of last year's level.

The performance of the newspaper division, better than many regional rivals, was helped partly by the fact that the titles are not unduly dependent on classified advertising which has plummeted.

Interim profits increased at Trinity's packaging business, partly because of lower raw material prices. In North America, profits were down by about 40 per cent because of recession.

Overall turnover was virtually static at £66.8m (£67.5m). Earnings per share fell from 10.6p to 8.1p, but the interim dividend is held at 2.6p.

British Polythene buys Courtaulds arm

By Michiyo Nakamoto

BRITISH Polythene Industries, the largest producer of polythene film products in the UK, is buying Courtaulds Plastic Films for £9.14m cash.

BPI is also launching a £15.4m rights issue to fund the takeover and reduce borrowings.

Mr Cameron McLatchie, chairman and chief executive of BPI, said the acquisition of CPF would give the group access to new markets in the UK and Europe.

The announcement came as BPI reported a 12 per cent rise in interim pre-tax profits to £4.53m (£4.06m).

The rights issue of 5.6m new ordinary shares is priced at 285p per share on the basis of 2 for every 9 ordinary shares and 313 new ordinary shares for every 3,000 existing convertible preference shares.

The shares closed yesterday at 354p, up 8p.

The acquisition of CPF marks a step forward in BPI's strategy of focusing its operations on the processing of polythene film.

It is its third acquisition this year, following that of Gaynor Group, which it bought from the receivers in March for £1.5m and the polythene industrial building film business of Courtaulds bought for £150,000.

CPF, which produces plastic and speciality films, saw operating profit of £1.3m (£1.66m) on turnover of £24.9m (£22.7m) in the year to end-March. The assets being acquired by BPI have an agreed value of £7.45m.

BPI expects to pursue acquisition opportunities to strengthen its core business in the UK, Mr McLatchie said.

Although it is the largest UK polythene film producer, it still has less than 25 per cent of the highly fragmented market.

The 12 per cent profits rise was helped by efficiencies gained from a substantial rationalisation programme which provided economies of scale and more flexibility in responding to customers' demands.

As a result, operating margins, at 7.5 per cent, were higher than margins of 5 to 6 per cent seen two years ago in a more resilient economy.

The rights issue, meanwhile, should help bolster the balance sheet by bringing borrowings down to approximately £12m and gearing down to about 20 per cent from just over 50 per cent currently.

Fully diluted earnings per share were up to 11.27p (9.78p) and the dividend is maintained at 3p. The group currently intends to increase its dividend for the full year, it said.

● **COMMENT**

The management of British Polythene deserves high marks for a robust performance in a very difficult period. The operating margins achieved reflect the group's success in realising considerable efficiencies. Meanwhile, acquisitions have boosted its raw materials purchasing power. There is a slight concern about the group's one product business and that expansion will eventually run out of steam. However, in the short term, its acquisition of CPF makes sense and the rights issue at a 16 per cent discount to the opening price looks attractive. Forecast profits of £9.9m for the year gives fully diluted earnings of 24.46p and a prospective multiple of 14 on yesterday's closing price of 354p.

Ernest Green dips to £2.2m

Ernest Green and Partners Holdings, the USM-quoted structural and civil engineering consultancy, reported a downturn of over £1m in pre-tax profits, from £3.21m to £2.15m, in the year to June 30.

Turnover fell from £14.3m to £11.7m and operating profits from £3.01m to £1.67m.

Mr David Legg, chairman, felt, however, that the group had produced satisfactory results against the back of "one of the worst ever recessions in the construction industry".

A proposed final dividend of 4.25p makes an unchanged total of 7p from earnings of 18.1p (25.6p) which includes the benefit of the repurchase earlier this year of some 3 per cent of the share capital at an average price of 104p.

Sema warns of cash call as interest charges rise

By Alan Cane

PRE-TAX PROFITS at Sema Group, the London-quoted Anglo-French computing services company, fell from £7.18m to £6.57m in the first six months of this year.

Mr Pierre Bonelli, group managing director, warned that with the level of interest the company was paying it was inevitable that it would have to make a cash call within two years to provide a firmer financial cushion.

He also warned that substantial costs associated with the establishment of BAeSema, the joint venture with British Aerospace, together with high research and development costs, would inevitably have an impact on the second half when Sema would normally expect to make most of its profits.

Operating profits were up from £7.72m to £8.1m, but an increase in net interest charges from £391,000 to £1.39m depressed the pre-tax figure.

Revenues rose to £201m, a rise of almost 6 per cent.

Earnings per share rose from 4.5p to 4.7p after tax of £1.33m(£2.84m)and an interim dividend of 1p is declared against 0.9p last time.

Debt equity ratio, which stood at 53 per cent in 1990, had been brought down to 34 per cent in the period.

Sema took the unusual step this year of publishing its "book to bill" ratio – the ratio of orders taken to turnover for the preceding six quarters, showing a distinct improvement in the second quarter of this year. Mr Bonelli said, however, that he could see no hope of the recession lifting before the second half of next year.

Clyde Petroleum lifts net income by 36% to £4.7m

By Deborah Hargreaves

CLYDE Petroleum, the independent oil and gas exploration and production company, reported a 36 per cent rise in net income to £4.66m for the first half of the year, compared with £3.43m, as oil and gas prices held up.

The company saw a 22 per cent rise to £26m in cash flow during the period and a 21 per cent increase in oil and gas production to 23,651 barrels a day (b/d) after the second stage of development at the Wytch Farm onshore oilfield in Dorset came onstream.

Clyde said its sterling oil price over the period was £11.38 per barrel compared with £10.66 in the same 1990 period.

Gas prices were also well ahead of last year, but the company expected them to drop by 5 per cent in the second half.

Mr Malcolm Gourlay, chief executive, said the company had made an exciting discovery of gas in the Waalwijk onshore field in the Netherlands during the first half which could lead to other gas finds in the area.

Clyde which holds about 60 per cent of its reserves in the UK and 40 per cent in the Netherlands – split roughly equally between oil and gas – is looking to increase expansion overseas.

The company drilled its first well in Vietnam three months ago but did not strike oil. It is also involved in Yemen where it will operate a gas field due to come onstream in three years.

Turnover increased from £31.8m to £44.6m. Earnings per share rose to 1.5p (1.1p) and the interim dividend is unchanged at 0.5p.

UK COMPANY NEWS

Colorgraphic £307,000 in the red

By Peggy Hollinger

COLORGRAPHIC, the direct marketing products and services group, plunged into the red in the first half and for the first time passed its interim dividend.

A severe recession in the advertising industry forced the group into pre-tax losses of £307,000, compared with a profit of £1.25m last time. Turnover was down 18 per cent to £23.2m, partly due to business disposals.

The shares, which have fallen from 220p just over a year ago, closed 2p down at 64p.

"Making a loss is the corporate equivalent of shock therapy. It can either kill or cure," said Mr Nick Winks, chief executive.

He added, however, that the recession had had beneficial effects as the group had been forced to cut costs and improve customer relations. Staff had been reduced by 20 per cent, while capital expenditure of £1.5m had helped to boost capacity by 15 per cent.

"The lower costs and increased capacity will leave us very geared for any recovery in the market," said Mr Winks.

He added that fierce competition had depressed gross margins by about 8 per cent and orders by 18 per cent. The market as a whole had declined 13 per cent in the first half.

Net debt was about £6m at the interim stage. Interest charges were down from £505,000 to £393,000. Gearing, which was 19 per cent at end of 1990, should be between 50 and 60 per cent at the close of the current year, Mr Winks said.

Tax gains of £109,000 were offset by the £125,000 extraordinary costs of moving from the USM to a listing in May

Losses per share were 1.25p, compared to earnings of 6.1p last time. Fully-diluted losses came to 1.2p. The last interim dividend was 2p.

Willis Corroon buys health consultancy

By Richard Lapper

WILLIS CORROON, the international insurance and reinsurance broker, is to acquire full ownership of Hinton & Higgs, one of the largest health and safety consultancies in Europe.

Willis, which already owns a third of Hinton after a purchase made in 1987, will increase its stake to 100 per cent in a £5.4m deal.

Hinton, which employs almost 300 staff, achieved average annual pre-tax profits of £678,000 between 1987 and 1990.

Willis has been expanding its fee-based risk management activities as part of a strategy designed to reduce dependency on more volatile commission-based income.

Willis Wrightson, its UK direct insurance broking subsidiary, began offering risk management services on an "unbundled" basis – charging for advisory services separately from insurance brokerage – earlier this year. Fees now account for 30 per cent of Willis Corroon's UK income.

Last week Willis acquired Facciani and Sons of the US, an employee benefits concern based in the mid-west.

Mr Rodney Meere, chairman and chief executive of Hinton, will continue as chairman. He is also a director of Willis Wrightson and chairman of Willis Wrightson Risk Management.

Willis Corroon also announced that it is to change its name to Willis Corroon Group as part of its global reorganisation. All direct risk management and insurance broking activities will operate under the name Willis Corroon.

Competitive trading hits Watmoughs

By Michiyo Nakamoto

WATMOUGHS, the printing group, saw its pre-tax profits almost halved, from £5.08m to £2.6m, in the half-year to June 30 as it felt the effects of the UK media and printing downturn.

The fall came on turnover only slightly lower at £48.6m (£48.9m). Earnings per share fell from 14.22p to 6.39p. The interim dividend, however, is maintained at 2.5p.

Competitive trading conditions intensified in the second quarter when the group experienced order cancellations and reductions, particularly in mail order and sales promotion brochures.

It also temporarily lost part of its contract to print The Times Saturday Review, which resulted in a loss of revenue amounting to some £500,000.

However, that contract has now been resumed and the group expects to see a "considerable improvement" in sales and profits in the second half.

"We believe strongly this is a blip and not a long-term trend," said Mr Patrick Walker, chairman and chief executive.

The group has a number of new contracts, including holiday brochures for Horizon and supplements to the Mail On Sunday's YOU magazine.

Revai, the Hungarian subsidiary acquired in February, has won the contract to print a Hungarian TV magazine following the contract to print the Hungarian state airline in-flight magazine.

Cash flow continues to be resilient, and gearing was expected to be stable at about 30 per cent on borrowings of £18m at the year end. Net assets stand at £66m.

Interest charges of £1.32m (£1.29m) are covered nearly three times by operating profits of £3.73m (£6.37m). Capital investment has continued with the group expecting to spend about £14m in the year.

Watmoughs is also merging its two financial printing companies into one division in order to increase its share of the market for annual reports and other financial documents.

United Friendly 11% up at £7.8m

By Richard Lapper

UNITED FRIENDLY Group, the life and general insurer which obtained a full stock market listing in July, reported an 11 per cent increase in interim pre-tax profits to £7.76m.

Higher losses on general business in the half year to June 30 were offset by life profit transfers and other income.

Investment income and realised capital gains rose to £7.9m (£6.2m). Life profits increased to £4.07m (£4m). Underwriting losses from general business rose 31 per cent to £4.21m (£3.21m).

A heavier tax burden of £1.98m, against £891,000, reduced post-tax profits to £5.78m (£6.09m). The interim dividend goes up by 20 per cent to 4.2p (3.5p), payable from earnings per share of 7.22p (7.63p).

Extraordinary costs arising from the scheme to establish United Friendly Group, the new non-insurance holding company created at the time of the full listing, amounted to £743,000.

New life premiums were slightly higher at £10.4m (£10.3m), reflecting a strong performance by the industrial branch – weekly cash sales made on a door-to-door basis – with premiums rising by more than 27 per cent to £4.39m (£3.45m).

In contrast, both new annual premiums and new annual pension premiums in the ordinary branch declined, by 6 per cent to £3.4m and 20 per cent to £2.61m respectively.

Overall life premiums rose to £86m (£83.8m). The industrial branch now accounts for just under 50 per cent of the total life premium income compared with 80 per cent in the mid-1980s.

The group pressed ahead with its recent push into general insurance. Premium income rose to £35.7m compared with £30.2m.

Claims also rose sharply as a result of increased theft and, to a lesser extent, subsidence. The underwriting loss increased to £4.21m (£3.2m).

Jeyes climbs 19% after strong overseas advance

By Peggy Hollinger

HELPED BY a strong advance overseas, Jeyes Group, the manufacturer of household cleaning products such as Parazone bleach, maintained its recent record of consistent growth with a 19 per cent rise in interim profits.

The USM-quoted group, which was turned round following a management buy-out from Cadbury Schweppes in 1986, lifted pre-tax profits from £1.48m to £1.76m for the 28 weeks to July 13.

Mr Jimmy Moir, managing director, said a 33 per cent rise in overseas sales had been the driving force behind the performance. The launch into Japan and the Middle East in the last quarter of 1990 had been extremely successful, and already those markets accounted for some 30 per cent of overseas sales.

The UK had been difficult, although Jeyes had increased revenue by 8 per cent.

The acquisition of Crowner, the industrial cleaning product manufacturer, in February for £2m was responsible for just under half the rise in group turnover to £30.8m (£26.5m). The purchase also accounted for a rise in debt to £6m and in interest charges to £528,000 (£314,000). Investment income rose from £26,0000 to £109,000.

Gearing was 43 per cent, although Mr Moir said this would come down to about 20 per cent at the year-end. Gearing was usually higher at the interim stage due to a seasonal rise in working capital, he said.

Operating margins rose from 6.7 per cent to 7.1 per cent through a cost-cutting programme and new product launches.

Earnings per share rose 20 per cent to 8.3p (6.9p) and the interim dividend goes up by 0.4p to 2.6p.

Dairy growth lifts Golden Vale by 37%

By Graham Deller

Golden Vale, the County Cork-based dairy products manufacturer, yesterday reported a 37 per cent expansion in profits for the first half of 1991.

The pre-tax increase – from I£5.32m to I£7.31m (£6.7m) – was struck after net interest charges ahead to I£1.27m (I£307,000) and came on turnover up 40 per cent to I£155.8m (I£111.6m).

Last September the group purchased the dairy interests of Food Industries, Mr Larry Goodman's former agribusiness.

Mr Jim O'Mahony, chief executive, said that that acquisition and the purchase in December of Bridgend Creameries had "significantly enhanced the earnings profile of the group".

An interim dividend of 0.42p, up from 0.36p, is payable from earnings of 4.18p (3.17p) per share.

NEWS DIGEST

Recession halves CI to £1.7m

CI GROUP, Wolverhampton-based steel supplier and engineer, reported taxable profits of £1.69m for the six months to July 31, less than half the comparable £3.75m.

Turnover fell 19 per cent from £48.6m to £39.4m.

Mr Albert Hargreaves, chairman, said the results highlighted the depth and severity of the recession but reflected few of the benefits now accruing from the cost cutting programme.

In the steel division turnover and margins were lower. Coupe Foundry, which relies on the capital goods sector, continued to experience severe difficulties and was sold to its management in July.

Engineering division companies involved in capital equipment had a difficult time but there was a sound performance from the flooring companies.

There was an extraordinary charge this time of £433,000 being provisions against expected trading losses from companies affected by CI's further changes.

As part of these Mr Hargreaves is giving up as executive chairman, but remaining as a non-executive director. Mr Patrick McTighe, chief executive of Davy Corporation is to become non-executive chairman.

The interim dividend is maintained at 0.825p from lower earnings per share of 1.34p (2.87p).

River & Mercantile American assets rise

River & Mercantile American Capital and Income Trust reported net assets of 38.57p per capital share and 63.08p per income share at August 31.

The figures compared with 30p and 51.59p respectively at the same stage of 1990.

The trust saw net revenue for the six months to end-August fall to £253,000 (£327,000) for earnings of 3.37p (4.36p) per income share.

A second interim dividend of 1.8p makes 3.6p so far this year. Last year's total amounted to 7.8p.

Brixton Estate ahead to £11.7m

In spite of the recession in the property sector, Brixton Estate increased both pre-tax profit and rental income for the half year to June 30.

Net rental income rose 17 per cent from £19.6m to £22.9m, while pre-tax profits also rose 17 per cent, from £10m to £11.7m. Interest charges increased from £8.4m to £9.9m.

Earnings per share improved from 4.45p to 5.2p; the interim dividend is lifted from 2.55p to 2.9p.

Pacific Assets net assets jump 39%

Pacific Assets Trust's net asset value per share at July 31 was 259.1p basic, an improvement of 39 per cent over the six month period but slightly lower than the 262.7p at the same time last year.

Net revenue for the six months to end-July was £237,000 (£154,000). Earnings increased from 0.8p to 1.23p per share.

The company said that markets had been strong during the six month period following the resolution of the Gulf crisis.

Pacific Assets had recently received approval from the Taiwanese authorities to invest directly in the Taiwanese stock market for the first time.

Contract delays and bad debts hit SWP

The current woes of the construction industry were illustrated again yesterday by SWP Group, the timber component and architectural metalwork company.

The USM-quoted company reported profits of £826,000 for the 12 months to June 30, a decline of 35 per cent on the previous £1.26m. Turnover was static at £10.3m.

Mr Robert Stickings, chairman, blamed the "disappointing" outcome on increased bad debts, contract delays and "an unexpected contraction in workload".

"There has been little sign of the long promised recovery from recession" he said. The group was unlikely to see any recovery until the second half of the current year.

Earnings per share emerged at 2.2p, down from 3.1p, but the single dividend for the year is maintained at 0.6p.

Assets dip at K'wort Development Fund

The net asset value of Kleinwort Development Fund declined by 6.4 per cent, from 360.9p to 337.93p per share over the 12 months to July 31.

Net revenue of this investment trust, managed by Kleinwort Benson Development Capital, rose to £718,762 (£652,851) for earnings of 11.88p (10.79p) per share. A recommended final dividend of 6.75p brings the total for the year to 9.5p (8.6p).

LEGAL NOTICES

THE INSOLVENCY ACT 1986
NOTICE OF APPOINTMENT OF
JOINT ADMINISTRATIVE RECEIVERS
LEADER & CO LTD.
Registered No: 847069

Pursuant to Section 46(1) of The Insolvency Act 1986 and Rule 3.2 of The Insolvency Rules 1986 take notice that we, Allan Griffiths, Malcolm Shierson and Iain Allan of Grant Thornton, Heron House, Albert Square, Manchester M2 5HD were appointed Joint Administrative Receivers of the above company on 9th September 1991 by The Royal Bank of Scotland under the terms of a debenture dated 30th November 1985.
Malcolm Shierson
Joint Administrative Receiver
Dated 12th September 1991

OAKDALE BUILDERS MERCHANTS LIMITED

Registered number: 1744570
Nature of business
Builders Merchants and House Merchants
Trade Classification Builders Merchants
Date of appointment of joint administrative receivers
6 September 1991
Name of person appointing the joint administrative receivers
Midland Bank Plc
JOSEPH PATRICK CONSIDINE and Richard Anthony Smart
Joint Administrative Receivers
(Office holder nos 058 and 288) of
Cork Gully
Churchill House
Churchill Way
Cardiff
CF1 4XQ

COMPANY NOTICES

CLUBS

PERSONAL

MEETING OF CREDITORS
Pursuant to Sections 98, 99, 100 and 101 of
The Insolvency Act 1986
JOHN DAVID MUSIC LIMITED

NOTICE IS HEREBY GIVEN pursuant to Section 98 of The Insolvency Act 1986, that a meeting of the creditors of the above-named Company will be held at 45 Conduit Street, London W1R 9FB, on 30th September 1991 at 12.00 noon for the purposes provided for in Section 98 et seq.

A list of names and addresses of the above Company's Creditors can be inspected at the offices of Latham Crossley & Davis, 45 Conduit Street, London W1R 9FB, between the hours of 10.00 am and 4.00 pm on the two business days preceding the Meeting of Creditors.
Dated this 13th September 1991
John David, Director

THE INSOLVENCY ACT 1986
NOTICE OF APPOINTMENT OF
JOINT ADMINISTRATIVE RECEIVERS
NORTHERN TRAVEL INTERNATIONAL LTD
Registered No: 1209388

Pursuant to Section 46(1) of The Insolvency Act 1986 and Rule 3.2 of The Insolvency Rules 1986 take notice that we, Allan Griffiths, Malcolm Shierson and Iain Allan of Grant Thornton, Heron House, Albert Square, Manchester M2 5HD were appointed Joint Administrative Receivers of the above company on 9th September 1991 by The Royal Bank of Scotland under the terms of a debenture dated 26th July 1984.
Malcolm Shierson
Joint Administrative Receiver
Dated 12th September 1991

THE INSOLVENCY ACT 1986
NOTICE OF APPOINTMENT OF
JOINT ADMINISTRATIVE RECEIVERS
LACON AND OLLIER (TRAVEL SERVICES) LTD
Registered No: 973539

Pursuant to Section 46(1) of The Insolvency Act 1986 and Rule 3.2 of The Insolvency Rules 1986 take notice that we, Allan Griffiths, Malcolm Shierson and Iain Allan of Grant Thornton, Heron House, Albert Square, Manchester M2 5HD were appointed Joint Administrative Receivers of the above company on 9th September 1991 by The Royal Bank of Scotland under the terms of a debenture dated 30th November 1985.
Malcolm Shierson
Joint Administrative Receiver
Dated 12th September 1991

THE INSOLVENCY ACT 1986
NOTICE OF APPOINTMENT OF
JOINT ADMINISTRATIVE RECEIVERS
LACON AND OLLIER LTD
Registered No: 433078

Pursuant to Section 46(1) of The Insolvency Act 1986 and Rule 3.2 of The Insolvency Rules 1986 take notice that we, Allan Griffiths, Malcolm Shierson and Iain Allan of Grant Thornton, Heron House, Albert Square, Manchester M2 5HD were appointed Joint Administrative Receivers of the above company on 9th September 1991 by The Royal Bank of Scotland under the terms of a debenture dated 20th November 1986.
Malcolm Shierson
Joint Administrative Receiver
Dated 12th September 1991

THE INSOLVENCY ACT 1986
NOTICE OF APPOINTMENT OF
JOINT ADMINISTRATIVE RECEIVERS
KEITH PROWSE LONDONERS LTD
Registered No: 1701124

Pursuant to Section 46(1) of The Insolvency Act 1986 and Rule 3.2 of The Insolvency Rules 1986 take notice that we, Allan Griffiths, Malcolm Shierson and Iain Allan of Grant Thornton, Heron House, Albert Square, Manchester M2 5HD were appointed Joint Administrative Receivers of the above company on 9th September 1991 by The Royal Bank of Scotland under the terms of a debenture dated 25th May 1983.
Malcolm Shierson
Joint Administrative Receiver
Dated 12th September 1991

THE INSOLVENCY ACT 1986
NOTICE OF APPOINTMENT OF
JOINT ADMINISTRATIVE RECEIVERS
INPUT (MARKETING SERVICES) LTD
Registered No: 1407455

Pursuant to Section 46(1) of The Insolvency Act 1986 and Rule 3.2 of The Insolvency Rules 1986 take notice that we, Allan Griffiths, Malcolm Shierson and Iain Allan of Grant Thornton, Heron House, Albert Square, Manchester M2 5HD were appointed Joint Administrative Receivers of the above company on 9th September 1991 by The Royal Bank of Scotland under the terms of a debenture dated 26th March 1982.
Malcolm Shierson
Joint Administrative Receiver
Dated 12th September 1991

THE INSOLVENCY ACT 1986
NOTICE OF APPOINTMENT OF
JOINT ADMINISTRATIVE RECEIVERS
E J ADAMS LTD
Registered No: 498444

Pursuant to Section 46(1) of The Insolvency Act 1986 and Rule 3.2 of The Insolvency Rules 1986 take notice that we, Allan Griffiths, Malcolm Shierson and Iain Allan of Grant Thornton, Heron House, Albert Square, Manchester M2 5HD were appointed Joint Administrative Receivers of the above company on 9th September 1991 by The Royal Bank of Scotland under the terms of a debenture dated 20th November 1985.
Malcolm Shierson
Joint Administrative Receiver
Dated 12th September 1991

THE INSOLVENCY ACT 1986
NOTICE OF APPOINTMENT OF
JOINT ADMINISTRATIVE RECEIVERS
CREDIT CARD THEATRE BOOKING LTD
Registered No: 1527629

Pursuant to Section 46(1) of The Insolvency Act 1986 and Rule 3.2 of The Insolvency Rules 1986 take notice that we, Allan Griffiths, Malcolm Shierson and Iain Allan of Grant Thornton, Heron House, Albert Square, Manchester M2 5HD were appointed Joint Administrative Receivers of the above company on 9th September 1991 by The Royal Bank of Scotland under the terms of a debenture dated 8th April 1983.
Malcolm Shierson
Joint Administrative Receiver
Dated 12th September 1991

THE INSOLVENCY ACT 1986
NOTICE OF APPOINTMENT OF
JOINT ADMINISTRATIVE RECEIVERS
KEITH PROWSE AND CO LTD
Registered No: 768365

Pursuant to Section 46(1) of The Insolvency Act 1986 and Rule 3.2 of The Insolvency Rules 1986 take notice that we, Allan Griffiths, Malcolm Shierson and Iain Allan of Grant Thornton, Heron House, Albert Square, Manchester M2 5HD were appointed Joint Administrative Receivers of the above company on 9th September 1991 by The Royal Bank of Scotland under the terms of a debenture dated 26th March 1982.
Malcolm Shierson
Joint Administrative Receiver
Dated 12th September 1991

THE INSOLVENCY ACT 1986
NOTICE OF APPOINTMENT OF
JOINT ADMINISTRATIVE RECEIVERS
EXPOTEL EXECUTIVE TRAVEL LTD
Registered No: 1056704

Pursuant to Section 46(1) of The Insolvency Act 1986 and Rule 3.2 of The Insolvency Rules 1986 take notice that we, Allan Griffiths, Malcolm Shierson and Iain Allan of Grant Thornton, Heron House, Albert Square, Manchester M2 5HD were appointed Joint Administrative Receivers of the above company on 9th September 1991 by The Royal Bank of Scotland under the terms of a debenture dated 26th March 1982.
Malcolm Shierson
Joint Administrative Receiver
Dated 12th September 1991

THE INSOLVENCY ACT 1986
NOTICE OF APPOINTMENT OF
JOINT ADMINISTRATIVE RECEIVERS
KENDALL TRAVEL LTD
Registered No: 859093

Pursuant to Section 46(1) of The Insolvency Act 1986 and Rule 3.2 of The Insolvency Rules 1986 take notice that we, Allan Griffiths, Malcolm Shierson and Iain Allan of Grant Thornton, Heron House, Albert Square, Manchester M2 5HD were appointed Joint Administrative Receivers of the above company on 9th September 1991 by The Royal Bank of Scotland under the terms of a debenture dated 5th February 1986.
Malcolm Shierson
Joint Administrative Receiver
Dated 12th September 1991

THE INSOLVENCY ACT 1986
NOTICE OF APPOINTMENT OF
JOINT ADMINISTRATIVE RECEIVERS
KEITH PROWSE HOSPITALITY LTD
Registered No: 1321096

Pursuant to Section 46(1) of The Insolvency Act 1986 and Rule 3.2 of The Insolvency Rules 1986 take notice that we, Allan Griffiths, Malcolm Shierson and Iain Allan of Grant Thornton, Heron House, Albert Square, Manchester M2 5HD were appointed Joint Administrative Receivers of the above company on 9th September 1991 by The Royal Bank of Scotland under the terms of a debenture dated 29th November 1983.
Malcolm Shierson
Joint Administrative Receiver
Dated 12th September 1991

THE INSOLVENCY ACT 1986
NOTICE OF APPOINTMENT OF
JOINT ADMINISTRATIVE RECEIVERS
KEITH PROWSE HOLDINGS LTD
Registered No: 1180363

Pursuant to Section 46(1) of The Insolvency Act 1986 and Rule 3.2 of The Insolvency Rules 1986 take notice that we, Allan Griffiths, Malcolm Shierson and Iain Allan of Grant Thornton, Heron House, Albert Square, Manchester M2 5HD were appointed Joint Administrative Receivers of the above company on 9th September 1991 by The Royal Bank of Scotland under the terms of a debenture dated 26th March 1982.
Malcolm Shierson
Joint Administrative Receiver
Dated 12th September 1991

THE INSOLVENCY ACT 1986
NOTICE OF APPOINTMENT OF
JOINT ADMINISTRATIVE RECEIVERS
ALLSWEET LTD
Registered No: 1180812

Pursuant to Section 46(1) of The Insolvency Act 1986 and Rule 3.2 of The Insolvency Rules 1986 take notice that we, Allan Griffiths, Malcolm Shierson and Iain Allan of Grant Thornton, Heron House, Albert Square, Manchester M2 5HD were appointed Joint Administrative Receivers of the above company on 9th September 1991 by The Royal Bank of Scotland under the terms of a debenture dated 26th March 1983.
Malcolm Shierson
Joint Administrative Receiver
Dated 12th September 1991

THE INSOLVENCY ACT 1986
NOTICE OF APPOINTMENT OF
JOINT ADMINISTRATIVE RECEIVERS
KEITH PROWSE OUTBOUND LTD
Registered No: 1970713

Pursuant to Section 46(1) of The Insolvency Act 1986 and Rule 3.2 of The Insolvency Rules 1986 take notice that we, Allan Griffiths, Malcolm Shierson and Iain Allan of Grant Thornton, Heron House, Albert Square, Manchester M2 5HD were appointed Joint Administrative Receivers of the above company on 9th September 1991 by The Royal Bank of Scotland under the terms of a debenture dated 23th November 1986.
Malcolm Shierson
Joint Administrative Receiver
Dated 12th September 1991

THE INSOLVENCY ACT 1986
NOTICE OF APPOINTMENT OF
JOINT ADMINISTRATIVE RECEIVERS
GROUPS UNLIMITED LIMITED
Registered No: 1171734

Pursuant to Section 46(1) of The Insolvency Act 1986 and Rule 3.2 of The Insolvency Rules 1986 take notice that we, Allan Griffiths, Malcolm Shierson and Iain Allan of Grant Thornton, Heron House, Albert Square, Manchester M2 5HD were appointed Joint Administrative Receivers of the above company on 9th September 1991 by The Royal Bank of Scotland under the terms of a debenture dated 9th February 1988.
Malcolm Shierson
Joint Administrative Receiver
Dated 12th September 1991

THE INSOLVENCY ACT 1986
NOTICE OF APPOINTMENT OF
JOINT ADMINISTRATIVE RECEIVERS
TALISMAN TRAVEL LTD
Registered No: 1757496

Pursuant to Section 46(1) of The Insolvency Act 1986 and Rule 3.2 of The Insolvency Rules 1986 take notice that we, Allan Griffiths, Malcolm Shierson and Iain Allan of Grant Thornton, Heron House, Albert Square, Manchester M2 5HD were appointed Joint Administrative Receivers of the above company on 9th September 1991 by The Royal Bank of Scotland under the terms of a debenture dated 30th June 1988.
Malcolm Shierson
Joint Administrative Receiver
Dated 12th September 1991

THE INSOLVENCY ACT 1986
NOTICE OF APPOINTMENT OF
JOINT ADMINISTRATIVE RECEIVERS
SPURS WORLD TRAVEL LTD
Registered No: 1361600

Pursuant to Section 46(1) of The Insolvency Act 1986 and Rule 3.2 of The Insolvency Rules 1986 take notice that we, Allan Griffiths, Malcolm Shierson and Iain Allan of Grant Thornton, Heron House, Albert Square, Manchester M2 5HD were appointed Joint Administrative Receivers of the above company on 9th September 1991 by The Royal Bank of Scotland under the terms of a debenture dated 30th June 1988.
Malcolm Shierson
Joint Administrative Receiver
Dated 12th September 1991

THE INSOLVENCY ACT 1986
NOTICE OF APPOINTMENT OF
JOINT ADMINISTRATIVE RECEIVERS
TTM HOLDINGS LTD
Registered No: 31565

Pursuant to Section 46(1) of The Insolvency Act 1986 and Rule 3.2 of The Insolvency Rules 1986 take notice that we, Allan Griffiths, Malcolm Shierson and Iain Allan of Grant Thornton, Heron House, Albert Square, Manchester M2 5HD were appointed Joint Administrative Receivers of the above company on 9th September 1991 by The Royal Bank of Scotland under the terms of a debenture dated 26th March 1982.
Malcolm Shierson
Joint Administrative Receiver
Dated 12th September 1991

THE INSOLVENCY ACT 1986
NOTICE OF APPOINTMENT OF
JOINT ADMINISTRATIVE RECEIVERS
THE TRAVEL SHOP (NOTTINGHAM) LTD.
Registered No: 1952182

Pursuant to Section 46(1) of The Insolvency Act 1986 and Rule 3.2 of The Insolvency Rules 1986 take notice that we, Allan Griffiths, Malcolm Shierson and Iain Allan of Grant Thornton, Heron House, Albert Square, Manchester M2 5HD were appointed Joint Administrative Receivers of the above company on 9th September 1991 by The Royal Bank of Scotland under the terms of a debenture dated 30th June 1985.
Malcolm Shierson
Joint Administrative Receiver
Dated 12th September 1991

THE INSOLVENCY ACT 1986
NOTICE OF APPOINTMENT OF
JOINT ADMINISTRATIVE RECEIVERS
KEITH PROWSE TOURS LTD
Registered No: 1737498

Pursuant to Section 46(1) of The Insolvency Act 1986 and Rule 3.2 of The Insolvency Rules 1986 take notice that we, Allan Griffiths, Malcolm Shierson and Iain Allan of Grant Thornton, Heron House, Albert Square, Manchester M2 5HD were appointed Joint Administrative Receivers of the above company on 9th September 1991 by The Royal Bank of Scotland under the terms of a debenture dated 13th November 1986.
Malcolm Shierson
Joint Administrative Receiver
Dated 12th September 1991

COMMODITIES AND AGRICULTURE

Brazil's illegal gold output falls

By **Christina Lamb** in Rio de Janeiro

GOLD output from Brazilian mining companies this year is expected to exceed production from garimpeiros, or illegal miners, for the first time.

According to Mr Elmer Prata Salamao, director of the national mining department (DNPM), of a projected output of 60 tonnes, only 25 tonnes will come from garimpeiros.

The figures signal an end to the era of mass production by the garimpeiros, which took off in the 1970s. By 1981, of a total national output of 42 tonnes, 37.6 tonnes came from the garimpeiros. Although there are an estimated 800,000 garimpeiros still operating, their production has been declining rapidly since the peak year of 1988 when they produced 90 tonnes.

In response to international pressure over environmental concerns, the government of President Fernando Collor which took office in March 1990 has been dynamiting airstrips used by the garimpeiros in an attempt to force them out of Indian territory. But Mr Salamao said the real reason for the dramatic turnaround is the simple exhaustion of stocks: "Most garimpo deposits are superficial and have had 10 or even 20 years of extensive mining by primitive methods and are running out."

He cites as an example the world famous Serra Pelada mine, which in the mid 1980s was overrun by hundreds of thousands of garimpos. Now the easily mined gold has gone and the mine he says is "paralysed and nothing but an 80m deep hole full of water".

According to Mr Salamao, garimpeiros are "organising into legitimate co-operatives and unions who fight their battles in courtrooms rather than with physical violence".

Gold smuggling historically accounted for 60 per cent of total output but an arbitraging operation begun last year by the central bank to attract gold into the formal economy has had impressive results. Last year only five tonnes of the total output of 90 tonnes were not registered, compared to 50.5 of 80 tonnes the previous year. According to Mr Salamao, Brazil can absorb 40 tonnes per year as a financial asset while the rest is exported by the central bank to maintain a stable exchange rate.

Despite the success in countering garimpos and smuggling, Mr Salamao said Brazil's continuing economic crisis and poor investment climate presents a considerable challenge for the rest of the decade. $1.4bn was invested in gold production and exploration over the last ten years but the tendency is for this to fall. Production from mining companies is expected to reach 44.5 tonnes in 1993 and, in the worst scenario, stabilise at this level, compared to the most optimistic scenario of ending the decade with a total production of 120 tonnes.

Mr Salamao said the latter scenario depends on very heavy investment. This might be forthcoming if a proposed constitutional amendment is passed to end the current restriction under which foreign companies can put up only 49 per cent of total risk capital.

Record aluminium stocks cut price by $15

By David Blackwell

ALUMINIUM stocks in London Metal Exchange warehouses climbed yesterday to the highest level ever recorded for a single base metal, overtaking the 645,300 tonnes reached by copper stocks in early 1978.

Stocks of aluminium rose by a further 10,125 tonnes to stand at 653,775 tonnes. A year ago, LME aluminium stocks were 133,025 tonnes.

The relentless accumulation of aluminium has taken prices down to the lowest levels since the LME launched its contract for 99.7 per cent metal in 1987. Yesterday, three-month aluminium closed at $1,224.50 a tonne, $15 down on the day, after falling as low as $1,222 earlier in the day's trading.

Analysts yesterday said that big western producers would have to make production cuts. Mr Nick Moore, of Ord Minnett, compared the producers to juggernaut drivers heading towards each other at full tilt. "The results of their actions are plain to see, but both believe the right of way is theirs."

Mr Robin Bhar, analyst with Carr Kitcat & Aitken, said a flood of aluminium from the Soviet Union was the main reason behind the surge in supplies. "This year they are on course to export 600,000 tonnes, compared with 350,000 to 400,000 tonnes last year."

Mr Angus MacMillan, analyst with Billiton-Enthoven Metals, said a cut in capacity of around 500,000 tonnes by western producers was now needed to bring the market fairly into balance. Apart from the Soviet imports, the market had been hit by the recession in the English speaking economies and slower rates of growth in demand elsewhere.

He suggested that Soviet metal of only 99 per cent and 99.5 per cent purity was being bought in the West at discounts of between $30 and $120 a tonne to the LME price. The metal was then melted down and "sweetened" with other material, he said.

Producers had good reasons not to cut production. Many in the US had their power and raw material costs linked to the price of the metal, and European smelters had been protected by the strength of the US dollar.

However, most analysts believe that if production is not curbed, prices could retreat further.

LME WAREHOUSE STOCKS
(As at Monday's close)
tonnes

Aluminium	+10125	to 653,775
Copper	+1575	to 314,050
Lead	+1600	to 99,250
Nickel	+912	to 8,802
Zinc	-825	to 148,575
Tin	-225	to 14,335

Cotton producers bullish about industry's prospects

The ICAC expects production and consumption to rise, says **John Murray Brown**, back from Antalya

THE absence of China, the world's largest producer, and the inability of Soviet delegates to provide reliable figures, did little to dampen proceedings at the 50th annual meeting last week of the International Cotton Advisory Committee in the Turkish resort of Antalya.

The 34-nation ICAC, which acts as watchdog for the $9bn cotton trade, is forecasting higher consumption and production. The resulting rise in stocks however is likely to hold back prices.

Production is set to reach an all time high of 92m bales in the 1991-92 season, with increases in medium and coarse categories. Extra fine production however is again set to fall for the fifth year running, as Sudan converts acreage to food crops, and Israel experiences irrigation shortages. Exports of extra fine and fine grades are forecast to fall 15 per cent in 1991-92.

China, although not represented in the ICAC, continues to dominate any calculations. The ICAC estimate China will harvest 22m bales, up from 20.7m in 1990-91. Cotton use in China is expected to rise 1m bales during the next two years, accounting for half the world total.

The US last week confirmed a sale of 325,000 bales to China. Chinese growers have experienced extensive flood damage this year. However traders say the latest imports probably represent transport difficulties as the seaboard textile producers seek to top up mill supplies. Indeed the ICAC is predicting lower imports by China, contributing to a 1m bale drop in world trade volume in 1991 to 22.7m.

World consumption meanwhile is forecast at a record 89m bales in 1991 as industrialised countries pull out of recession. August stock levels reached 29m bales, an increase of 1m bales from a year earlier. However, of that figure, an estimated 17m is owned by mills in cotton producing countries, while a further 5m represents producers' export commitments. Of the 7m bales of uncommitted stocks, the Soviet Union accounted for 2.4m.

Indeed the uncertainty over Soviet production is the main factor hanging over the price. Next year's Soviet production is projected to fall over 10 per cent from the 12m bales in 1990. East European countries traditionally accounted for over half of the Soviet Union's cotton exports. However the collapse of the Comecon trading system and uncertain relations with the central authorities, are forcing the cotton producing republics to look at new trading avenues.

The International Institute for Cotton (IIC) may close down after a quarter of a century of promoting cotton unless it gets more support from producers, its secretary-general Mr Harpal Luther said yesterday, Reuter reports.

The IIC, based in Brussels, was conceived by its members – the US, Mexico, Tanzania, Ivory Coast, Uganda, Zimbabwe, Nigeria and India – to improve cotton products and processing, gather market information and promote cotton's virtues.

Mr Luther said cotton producers were neglecting the IIC because sales were good. Some cotton producers also believe the International Cotton Advisory Committee covers their needs. "There should be a self-financing system for cotton. The money for programmes should not come from farmers and governments. It may be claimed from the consumer in such a way that it is hidden in the price of products," Mr Luther said.

"There's Soviet cotton coming out of every door, under barter deals, and at what price, no one knows," says Mr Ray Butler, editor of Cotton Outlook, the main trade magazine.

The main production region of Uzbekistan is suffering severe salinity problems, affecting crop rotations. A US agriculture official said the Soviet Union will have a falling share of world production.

Other producers like Sudan are set to see a fall in production as urgent food needs force the government to switch more land to food crops. Pakistan's exports are also set to fall as the country's growing textile industry absorbs more local production. Pakistan, the world's second largest exporter in 1988 with 3.8m bales, is expected to ship less than a million bales in 1992.

Australia, one of the most efficient producers, is now the world's third largest exporter. However officials believe the dramatic growth of the Australian industry which began in 1980 has almost run its course. Lack of new acreage means exports are set to level off at around 1.9m bales in 1992.

Uganda meanwhile is seeking international support to revive its cotton industry, which has been returned to the private sector after years as a parastatal. Mr James Obbo of the Lint Marketing Board says both Lonrho and Ralli brothers are showing interest.

Shipments from Egypt are also set to pick up as the government adopts a more realistic pricing policy in line with economic reforms being administered by the World Bank.

In the short term, all producers are waiting to see crop results from the US, the world's largest exporter.

Flooding in the Mississippi Delta means some acreage has not been planted. Meanwhile a continuing aphid problem in Texas is affecting yields. However, after a late start, US producers are benefiting from improved weather, according to Mr Russel Barlowe, chief cotton economist at the US agriculture department.

The US is set to increase its end stocks by 400,000 tonnes. As a result officials now predict a decrease in acreage in 1992 in line with the 1990 US Farm Bill, which provides for a 30 per cent ratio of stocks to cotton use. News last week that the USDA was raising its September crop estimates – to 17.9m bales – knocked a further 2 US cents off the Cotlook A-index price, which ended the week at US 69 cents.

Five Ural copper mines set to close

By **Kenneth Gooding**, Mining Correspondent

FIVE copper mines in the former Soviet Union's Ural mountains are almost certain to be closed down soon because they are not economically viable, suggests the Metals & Minerals Research Services consultancy group.

This means that concentrates from the mines – material with an average of 20 per cent copper – will not be exported to the West.

MMRS says the mines – the Uchaly, Sibay, Gay, Busibay and the biggest, the Karabash underground mine – once supplied the "highly environmentally questionable Karabash smelter."

In its latest Base Metal Concentrates report, MMRS says that some low grade copper concentrates from mines in Armenia were exported to the West last year and some was bought by Japanese smelters.

The Armenian mines previously supplied the Alaverdi smelter which was closed by the authorities in September last year. Alaverdi, says MMRS, produced about 80,000 tonnes a year of copper but was a big polluter.

"In 1988 its exit gases contained about 160,000 tonnes of emissions of which about 40,000 tonnes was sulphur dioxide. By mid-1989 the plant was exceeding permitted emission levels by 200 per cent at times. It was also emitting arsenic (meaning that concentrate feedstocks were arsenical also). This arsenic was dispersed into the atmosphere and was in surface water run-off into the River Debet."

Base Metal Concentrates. £650 a year for six copies from MMRS, 2 Henry Street, Bath, Avon BA1 1JT, England.

Australian mineral output to rise

By **Kevin Brown** in Sydney

DEMAND for Australian mineral products will increase next year, leading to higher growth in production over the medium term, the Australian Bureau of Agricultural and Resource Economics (Abare) said yesterday.

Mr Michael Kirby, Abare's chief commodity analyst, told a mining conference in Sydney that the value of non-fuel mineral exports would rise by an average of just over 2.5 per cent a year in real terms over the next five years.

However, Mr Kirby said the forecast rate of increase was well below the seven per cent rises of the late 1980s.

Mr Kirby said the Abare minerals commodity index would fall by seven per cent in special drawing rights (SDR) terms this year, following a fall of 13 per cent in 1990-91. The impact on Australian industry will be around one per cent in Australian dollar terms, however, partly because of an increase in export volumes.

Abare's forecasts confirm earlier indications that gold production peaked last year at 238 tonnes, up from 18 tonnes ten years ago. Production is expected to fall to less than 225 tonnes this year, reflecting lower world prices, mine closures and the impact of taxation on marginal operations.

Gold exports, which often lag behind production figures, are forecast to peak this year at 265 tonnes, valued at more than A$4bn.

Mr Kirby said gold production was unlikely to fall to very low levels, as forecast by some commentators and industry leaders. However, production was likely to slip to around 200 tonnes by 1995-96.

Mr Kirby forecast aluminium production would rise slightly this year to 1,250 kilotonnes, and alumina production would be rise marginally to 11.6 megatonnes. He said export earnings from aluminium fell by nine per cent to A$9bn last year, and would fall by a further four per cent this year to just over A$1.92bn. The real value of exports of aluminium and alumina would rise by nearly three per cent a year over the five years to 1995/96 to more than A$5.5bn in current prices.

Iron ore export earnings would grow from A$2.6bn last year to nearly A$3bn this year and around A$3.4bn in 1995/96, he said.

Go-ahead expected for Chilean mine

By **Leslie Crawford** in Santiago

Outokumpu Copper Resources of Finland is expected shortly to announce the go-ahead for its Zaldivar copper project in the Chilean Atacama desert, which will require an investment of more than $300m.

The company's executives in Santiago announced that a thorough exploration drive had doubled the original estimates of reserves to 120m tonnes of refined copper – enough to keep the mine productive for 20 years. The seams have an average copper content of 1.7 per cent, not as rich as its neighbour La Escondida, but more than three time the average of US and Canadian mines. Zaldivar will produce 100,000 tonnes of copper a year.

In addition, Outokumpu recently cracked one of the toughest problems of mining in the driest desert in the world – finding water. "We have tapped an aquifer about 100 km (60 miles) away near the Andes," says Mr Paul Preminger, Zaldivar's project director. Building the pipeline to ensure the mine's water supply will take up at least 10 per cent of the project's total cost.

Zaldivar is the latest of a series of multi-million dollar projects which are transforming Chile's Atacama desert into the world's leading copper producing area. La Escondida, the $900m-mine inaugurated this year, is just a stone's throw way from Outokumpu's Zaldivar mountain. Phelps Dodge is spending $500m to develop La Candelaria, which will produce gold as well as copper. Chuquicamata, the world's biggest copper mine, lies just 100 km to the north.

Zaldivar's feasibility study is expected to be ready early next year. Outokumpu has yet to decide whether it will exploit the mine as an open-cast operation or by tunnelling into the mountain.

Outokumpu is also studying how best to finance Zaldivar's development, which will be its biggest investment outside Finland. Company executives say it will probably include a combination of equity, bank loans and selling production in advance to copper smelters. Part of Zaldivar's production might well be sold to a new smelter which Outokumpu is considering building in Portugal.

The Finnish company says it is planning to commit $500m over the next five years in Chile. It has signed a protocol agreement with Codelco, the Chilean state copper corporation, to develop new properties jointly.

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6%, $ per tonne, in warehouse, 1,640-1,670 (same).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.80-3.20 (same).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 2.20-2.55 (2.05-2.35).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 14.50-15.00 (14.00-14.50).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 75-95 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.25-2.31 (2.26-2.31).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 4.80-5.40 (same).

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO_3, cif, 59-67 (same).

VANADIUM: European free market, min. 98 per cent, $ a lb V_2O_5, cif, 2.15-2.35 (2.20-2.40).

URANIUM: Nuexco exchange /value, $ per lb, U_3O_8, 8.75 (same).

WORLD COMMODITIES PRICES

MARKET REPORT

Coffee prices closed sharply down in London and were lower in New York at midday. London dealers said the market was following New York with some reluctance but was unable to maintain levels while US prices continued to tumble. New York analysts said the dryness in Brazil's coffee growing areas had continued to underpin prices despite the setbacks. But the market remained sceptical about a 10 per cent producer retention plan which will be presented formally at next week's ICO meeting in London. Cocoa prices in London closed ahead, boosted by trade buying in thin volume. Estimates of the 1991-92 world supply-demand balance are awaited with interest, with a deficit of around 140,000 tonnes generally expected. LME base metals prices were generally lower. Nickel continued to retreat as LME stocks rose to a 14-month high of 8,802 tonnes. Copper stocks are the highest since March 1984; commission house sales underlined the recent break below $2,300 a tonne, with option-related selling exerting additional pressure. Gold was lifted early by silver and platinum on the London bullion market, but faltered on profit taking. "Gold wants to go higher, but there is too much pressure on it from above," one dealer said.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$17.07-7.15z	-.275
Brent Blend (dated)	$20.25-0.30	-.275
Brent Blend (Nov)	$20.20-0.25	-0.20
W.T.I. (1 pm est)	$21.50-1.55z	-0.20
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$247-249	+1
Gas Oil	$192-193	-2
Heavy Fuel Oil	$72-73	+1.5
Naphtha	$200-203	-1
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$346.55	+0.90
Silver (per troy oz)♣	408.0c	+1.5
Platinum (per troy oz)	$352.75	+2.75
Palladium (per troy oz)	$81.50	-0.75
Copper (US Producer)	110.0c	-1.0
Lead (US Producer)	34.0c	-1.0
Tin (Kuala Lumpur market)	15.10r	-0.05
Tin (New York)	259.5c	+1.0
Zinc (US Prime Western)	82.0c	
Cattle (live weight)†	101.58p	-0.45*
Sheep (dead weight)†	106.44p	+0.17*
Pigs (live weight)†	73.40p	+3.96*
London daily sugar (raw)	$229.5j	-5.0
London daily sugar (white)	$265.0j	-0.5
Tate and Lyle export price	£240.0	-4.0
Barley (English feed)	£116.0u	
Maize (US No. 3 yellow)	£143.0u	
Wheat (US Dark Northern)	£97.0	
Rubber (Oct)♥	51.25p	-0.25
Rubber (Nov)♥	51.75p	-0.25
Rubber (KL RSS No 1 Oct)	223.0r	-1.5
Coconut oil (Philippines)§	$462.5q	
Palm Oil (Malaysian)§	$330.0t	
Copra (Philippines)§	$300.0j	-2.5
Soyabeans (US)	£159.0	+1.0
Cotton "A" Index	69.70c	+0.30
Wooltops (64s Super)	357p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Sep/Oct t-Sep/Dec u-Oct x-Sep y-Aug/Sep z-Nov j-Oct/Nov. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Oct	201.20	197.00	202.00 194.00
Dec	190.80	184.60	190.00 185.00
Mar	190.80	186.60	190.00 183.00
May	191.80	186.60	183.00 183.00
Oct	200.00		190.00
White	**Close**	**Previous**	**High/Low**
Dec	286.5	281.5	286.0 280.5
Mar	286.5	282.0	285.5 280.1
May	283.0	279.0	283.0 278.0
Aug	283.5	279.0	283.2 281.5
Oct	264.0	260.0	263.7 259.5

Turnover: Raw 1203 (296) lots of 50 tonnes. White 1778 (1255)
Paris- White (FFr per tonne): Oct 1637.2

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low
Nov	20.20	20.42	20.45 20.12
Dec	20.16	20.33	20.35 20.08
Jan	20.05	20.19	20.20 20.05
Feb	19.90	20.02	19.90
Mar	19.80	19.92	19.92 19.80
Apr	19.75	19.82	19.75
Jun	19.53	19.65	19.56 19.53
IPE Index	20.41	20.29	20.41

Turnover 27532 (12466)

GAS OIL – IPE $/tonne

	Latest	Previous	High/Low
Oct	193.25	194.75	195.50 193.00
Nov	195.25	197.00	197.75 195.00
Dec	195.75	197.75	198.50 195.50
Jan	193.75	195.25	196.00 193.75
Feb	188.00		189.75 188.00
Mar	182.00	183.50	183.25 182.00
Apr	177.00	178.00	180.00 177.00
May	173.25	174.00	174.00 173.00

Turnover 8279 (6425)lots of 100 tonnes

JUTE
September/October c and f Dundee BTC $425, BWC $425, BTD $390, BWD $365; c and f Antwerp BTC $400, BWC $395, BTD $375, BWD $370.

COTTON
Liverpool- Spot and shipment sales for the week ending September 13 amounted to 120 tonnes against 88 tonnes in the previous week. Demand for specialist growths dropped with only minor purchases in Californian and North American qualities.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Sep	712	700	714 697
Dec	748	733	752 730
Mar	786	770	787 769
May	805	790	805 790
Jul	825	809	824 810
Sep	845	828	845 829
Dec	865	851	865 855
Mar	889	874	889 880
May	907	892	906 898
Jul	928	910	924 920

Turnover: 4139 (3066) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Sep 16 935.63 (944.01) 10 day average for Sep 17 936.15 (931.25)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low
Sep	510	525	520 508
Nov	532	548	543 531
Jan	556	568	561 554
Mar	571	580	573 567

Turnover:4019 (1758) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Sep 16 : Comp. daily 67.53 (68.37) 15 day average 66.97 (66.73)

POTATOES – London FOX £/tonne

	Close	Previous	High/Low
Apr	119.9	119.3	120.0 118.6

Turnover 47 (55) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Dec	140.00	139.00	140.00

Turnover 25 (25) lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low
Sep	1588	1580	1590 1585
Oct	1700	1697	1710 1700
Jan	1725	1720	1725 1720
Apr	1734	1724	1730 1720
BFI	1545	1546	1545

Turnover 286 (313)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low
Nov	117.20	116.90	117.20 116.90
Jan	120.50	120.20	120.50 120.45
Mar	123.60	123.35	123.60 123.35
May	126.80	126.55	126.80 126.75
Jun	128.25		128.25
Barley	**Close**	**Previous**	**High/Low**
Nov	113.35	113.35	113.40
Jan	116.90		116.90
Mar	119.35		119.40

Turnover: Wheat 294 (104), Barley 27 (15).
Turnover lots of 100 tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Oct	106.0	104.5	106.0 105.0
Nov	108.5	107.0	108.0 107.5
Jan	106.5	106.3	106.5

Turnover:70 (117) lots of 3,250 kg

MGMI – London FOX

	Close	Prev.	High	Low	Vol
Indx	134.53	135.98			
Oct	136.00	136.80	136.00	135.90	85
Nov	136.20	137.10	136.40	136.20	60
Dec	136.00	137.50	136.40	135.60	447
Mar	137.30	136.70	137.30	137.30	15
Jun	137.70		138.40	137.70	80

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 28,227 lots
Cash	1194-6	1209-11		1193-4		
3 months	1224-5	1239-40	1233/1221	1222-3	1225-7	108,535 lots
Copper, Grade A (£ per tonne)						Total daily turnover 38,817 lots
Cash	1309-10	1320-1	1310/1302	1303-4		
3 months	1317-8	1328-9	1324/1312	1313-4	1314-5	118,388 lots
Lead (£ per tonne)						Total daily turnover 5,322 lots
Cash	307-8	306.5-7.5	309.25/309	309-9.25		
3 months	318-8.5	318.5-9	319/317	318.5-9	318-8.5	14,187 lots
Nickel ($ per tonne)						Total daily turnover 5,453 lots
Cash	7550-60	7615-25		7520-30		
3 months	7600-10	7650-60	7640/7570	7565-70	7625-35	16,430 lots
Tin ($ per tonne)						Total daily turnover 1,381 lots
Cash	5580-90	5610-20	5600	5595-600		
3 months	5680-5	5685-90	5695/5665	5675-80	5660-70	5,974 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 8,828 lots
Cash	1028-30	1032-3		1023.5-4.5		
3 months	1049-50	1052-3	1050/1044	1045.5-6	1050-1	29,127 lots

LME Closing £/$ rate:
SPOT: 1.7425 3 months: 1.7228 6 months: 1.7067 9 months: 1.6912

LONDON BULLION MARKET
(Prices supplied by N.M.Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	346.30-346.80	
Opening	344.85-345.25	
Morning fix	346.35	198.618
Afternoon fix	346.15	198.823
Day's high	347.00-347.40	
Day's low	344.85-345.25	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	5.11	6 months	4.98
2 months	5.06	12 months	4.91
3 months	5.02		

Silver fix	p/fine oz	US cts equiv
Spot	233.60	407.75
3 months	239.50	413.00
6 months	244.95	418.45
12 months	259.05	431.10

GOLD COINS
(Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	346.25-347.25	198.75-199.25
Maple leaf	356.25-358.25	204.00-204.50
New Sovereign	84.50-85.50	48.50-49.00

TRADED OPTIONS

Coffee	Nov	Jan	Nov	Jan
500	34	64	3	9
550	8	32	25	27
600	1	14	70	59
Cocoa	**Dec**	**Mar**	**Dec**	**Mar**
725	51	92	28	31
750	39	77	40	41
775	28	54	55	53
Brent Crude	**Nov**	**Dec**	**Nov**	**Dec**
2000	58		28	
2050	30	59	48	
2100	18	38		

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Sep	348.7	344.5	0	0
Oct	347.3	345.2	348.0	346.5
Nov	348.8	346.7	0	0
Dec	350.4	348.3	351.2	349.5
Feb	353.5	351.3	353.6	352.8
Apr	358.3	354.1	356.7	356.0
Jun	359.3	3357.1	359.4	359.2
Aug	362.4	360.2	362.7	362.7
Oct	365.4	363.2	365.0	365.0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	353.5	349.8	354.5	352.0
Jan	358.0	354.2	359.0	357.0
Apr	361.9	358.1	362.0	361.0
Jul	365.5	361.9	366.0	364.0
Oct	372.5	368.4	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Sep	405.7	399.8	406.0	404.5
Oct	406.4	400.5	0	0
Nov	408.6	402.6	0	0
Dec	411.0	405.0	414.5	408.5
Jan	413.1	407.1	0	0
Mar	417.7	411.7	421.0	416.0
May	422.2	416.2	423.0	423.0
Jul	426.5	420.4	427.0	427.0
Sep	431.4	425.3	0	0
Dec	438.9	432.5	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	104.40	105.60	105.30	104.25
Oct	102.70	104.20	103.60	102.70
Nov	102.00	103.55	102.65	102.00
Dec	101.50	103.15	102.70	101.30
Jan	100.90	102.25	0	0
Feb	100.30	101.60	0	0
Mar	99.70	101.10	100.70	99.60
Apr	99.30	100.70	0	0
May	98.85	100.30	0	99.50
Jun	98.40	99.95	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Oct	21.58	21.82	21.80	21.52
Nov	21.49	21.72	21.70	21.45
Dec	21.41	21.63	21.60	21.36
Jan	21.25	21.49	21.46	21.23
Feb	21.13	21.34	21.28	21.12
Mar	21.00	21.18	21.02	21.00
Apr	20.83	21.03	20.97	20.83
May	20.70	20.91	20.73	20.69
Jun	20.55	20.81	20.72	20.72

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Oct	6110	6206	6190	6090
Nov	6230	6328	6310	6210
Dec	6335	6434	6425	6315
Jan	6370	6458	6440	6350
Feb	6235	6319	6305	6225
Mar	5990	6068	6040	5985
May	5680	5679	0	0
Jul	5500	5534	5500	5500

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	1230	1189	1232	1193
Mar	1281	1240	1283	1243
May	1308	1268	1300	1275
Jul	1330	1292	1326	1326
Sep	1352	1316	0	0
Dec	1382	1346	0	0
Mar	1429	1393	1402	1398
May	1456	1420	1422	1422
Jul	1479	1443	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Sep	83.85	86.50	86.50	83.85
Dec	87.55	89.55	89.70	87.10
Mar	91.10	93.00	92.75	90.30
May	93.25	95.10	95.00	92.90
Jul	96.00	97.75	97.30	95.60
Sep	98.50	100.50	0	98.25
Dec	102.50	104.50	101.00	101.00

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	8.98	8.70	8.99	8.64
Mar	8.88	8.55	8.89	8.57
May	8.84	8.51	8.85	8.53
Jul	8.80	8.52	8.80	8.55
Oct	8.77	8.50	8.77	8.55

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	64.33	66.80	64.50	63.65
Dec	65.41	67.65	65.68	64.86
Mar	66.73	68.28	66.95	66.40
May	67.35	68.90	67.60	67.12
Jul	68.00	66.42	68.20	68.00
Oct	66.88	67.50	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	120.90	118.90	119.75	118.10
Nov	118.10	115.85	118.90	115.60
Jan	117.25	115.75	117.50	115.25
Mar	118.10	116.65	118.10	116.00
May	119.00	117.75	119.00	117.00
Jul	119.05	117.75	0	0
Sep	119.05	117.75	0	0
Nov	119.05	117.75	0	0
Jan	119.05	117.75	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Sep 17	Sep 16	mnth ago	yr ago
1637.9	1645.9	1643.8	1796.9

DOW JONES (Base: Dec. 31 1974 = 100)

	Sep 16	Sep 13	mnth ago	yr ago
Spot	117.61	117.98	116.78	129.35
Futures	122.98	123.02	120.02	132.74

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Sep	600/4	602/0	604/4	600/0
Nov	611/4	609/0	614/4	607/2
Jan	621/6	619/0	625/0	618/0
Mar	632/0	629/2	634/4	627/6
May	638/0	635/0	640/0	634/0
Jul	641/4	639/4	644/4	638/4
Aug	638/0	631/0	638/0	633/4
Sep	608/6	603/0	610/0	605/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Sep	N/A	20.74	-	-
Oct	N/A	20.76	-	-
Dec	N/A	21.08	-	-
Jan	N/A	21.30	-	-
Mar	N/A	21.62	-	-
May	N/A	21.80	-	-

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Sep	202.3	200.8	202.5	199.0
Oct	198.5	198.2	199.7	196.7
Dec	196.6	195.7	197.5	194.5
Jan	194.6	193.6	195.3	192.6
Mar	192.5	191.5	193.4	190.5
May	189.2	188.7	190.0	187.5
Jul	187.4	186.5	188.0	185.5
Aug	185.2	185.0	186.5	184.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Sep	251/0	251/6	253/0	249/6
Dec	255/0	255/4	256/6	254/0
Mar	262/0	262/4	263/6	261/0
May	265/6	266/4	268/0	265/4
Jul	268/2	268/4	269/6	267/6

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Sep	331/4	329/2	331/6	328/4
Dec	333/4	333/2	334/4	331/0
Mar	337/4	336/4	338/0	334/4
May	331/6	330/2	332/4	329/0
Jul	316/4	313/4	316/4	312/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	71.70	71.52	71.97	71.57
Dec	74.77	74.50	74.97	74.65
Feb	73.35	73.12	73.55	73.12
Apr	73.67	73.52	73.95	73.55
Jun	71.42	71.20	71.55	71.20
Aug	69.50	69.40	69.70	69.62

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Oct	45.35	45.80	46.00	45.17
Dec	44.57	45.10	45.40	44.50
Feb	43.65	44.05	44.40	43.60
Apr	41.85	42.47	42.65	41.80
Jun	46.15	46.62	46.90	46.15
Jul	46.65	46.95	47.00	46.65
Aug	45.25	45.40	45.45	45.25

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	49.07	51.07	51.20	49.07
Mar	49.07	51.07	51.20	49.07
May	50.12	52.12	51.90	50.12
Jul	50.40	52.00	50.52	50.40
Aug	47.90	48.00	49.75	47.90

LONDON STOCK EXCHANGE

Market restrained by company news

By Terry Byland, UK Stock Market Editor

Account Dealing Dates		
*First Dealings:		
Sep 2	Sep 16	Sep 30
Option Declarations:		
Sep 12	Sep 26	Oct 10
Last Dealings:		
Sep 13	Sep 27	Oct 11
Account Day:		
Sep 23	Oct 7	Oct 21

*New-time dealings may take place from 8.30 am two business days earlier.

CORPORATE results continued to restrain the London stock market yesterday. Despite buoyant performances in other global trading centres and a £700m-plus takeover offer for Racal Electronics, which takes the total of bids now facing the market to more than £1bn, the FT-SE Index gave further ground. After regaining the Footsie 2,600 mark briefly the market fell back to close 11.6 down at 2,594.4.

Disappointing results from some companies in the retail sector followed on the heels of Monday's disclosure that UK retail sales had fallen 1.4 per cent in August and encouraged switching by the institutions out of consumer stocks and into capital goods issues.

Trading volume was bustressed by heavy trading in Racal Electronics after Williams Holdings, the UK industrial holdings group with big interests in the US, made an all-paper offer for the newly-demerged electronics group; dealers were surprised by Williams's move and shares in Electronics moved above the bid price as the market pre-empted a counter-stroke from any one of several leading names in the UK electrical and electronics industries.

Equities opened firmly and soon recovered the Footsie 2,600 mark in the wake of good performances overnight in Tokyo and New York and confident openings on the other *European bourses.*

However, the UK market ran into trouble early as investors shied away from trading results from Fisons, the pharmaceuticals group, and Tesco, the food supermarket group.

There were also signs of technical strains as the Footsie moved downwards despite a good premium on the Footsie future contract, which traditionally supports the underlying equity market. Marketmakers were passing stock between one another and, as so often recently, some large deals were held back until the end of the session, making it difficult for traders to identify the trend of the market.

The day's total of shares traded through the Seaq system reached 699.1m, rivalling the figures last seen during the *abortive coup* in Russia and comfortably exceeding the 641.3m shares traded in the previous session.

Market strategists commented that the market was again "stock specific", with the institutions showing ready support for bid situations and stock placings but also withdrawing quickly from areas in which confidence has faded somewhat. Hopes for a consumer-led recovery from the current recession appear to have been replaced by expectations that capital goods investment will provide the required impetus.

Tesco and Kingfisher, both reporting profits yesterday, closed easier and Marks & Spencer and GUS joined the list of high street stocks to lose favour. With currencies quieter, the international *blue* chip stocks had little to show.

ICI, although regarded as less likely to attract an all-out bid from Hanson, which is now occupied with its agreed offer for Beazer, shed very little ground. But there was solid demand for such heavyweight names as British Gas and British Telecom.

Strategists at the leading securities firms remained relatively bullish despite this week's setback in the equity market. At Hoare Govett, Mr Richard Lake repated his short term Footsie target of 2,750.

Rival bid for Racal sought

THE FIRST shots in the full-scale takeover battle for Racal Electronics so widely predicted by electronics specialists were fired yesterday when Williams Holdings *launched an all-paper £700m-plus* offer for the company.

Racal Electronics shares raced higher on the news and closed a net 6¼ ahead at 57½p, well above the all-share offer from Williams which values *Racal at 50½p per share at* yesterday's market prices. Turnover in Racal totalled 72m shares. Williams dropped 24 to 337p.

In announcing the bid Williams revealed it had built a 2.8 per cent stake in Racal following its demerger from Vodafone. Dealers quickly decided that the Williams offer was merely an opening shot and that a counter-offer, or offers, may emerge as the takeover battle develops.

It was pointed out that the huge level of turnover in Racal, after the "special ex" shares were officially traded, throughout Monday's stake-building exercise and during trading yesterday could easily have accommodated another holding of between 3 and 5 per cent. Any other holding in excess of 3 per cent would have to be revealed today.

Most analysts agreed that Williams would have to increase its offer, to around 60p, in order to win control of Racal. The market's favourites to launch a counter-bid remained BTR, GEC, and Thorn EMI, although it was said that the last-named would need a substantial capital-raising exercise in order to finance such an offer.

Fisons disappoints

Disappointing interim results from Fisons served to knock 7 per cent from the value of the shares and underline the differences between City bulls and bears of the stock.

Fisons posted first-half profits of £95.2m, an *improvement* of just 5.5 per cent on the previous comparable figure and below the bottom of the range of analysts' forecasts.

Researchers cut their estimates *for the full year across the board. Among* the bulls, Mr James Culverwell at Hoare Govett said Tilade, the asthma drug, should receive US approval shortly and made only a relatively small downward *adjustment to his forecast* for next year.

Taking a more negative stance, UBS Phillips & Drew said it remained "extremely cautious" on the stock, while BZW took £15m from its *already low full-year forecast* to £245m.

Fisons dropped 35 to 464p. Some 15m shares changed hands, making it the busiest day's trading for almost four years. "Some people were very *upset and were large sellers,"* said one trader. He added that there was good demand for the shares at lower levels.

Telecom strong

BT (Telecom) delivered one of the best individual performances from a Footsie stock in the wake of strong American buying. Goldman Sachs, the US investment bank, was said to have been a big supporter of the shares ahead of an expected announcement that it has been appointed US lead manager to the flotation of the UK government's remaining near 48 per cent stake in BT.

The shares settled 9 higher at 397p, having touched 398p, with 4.4m shares traded. Daiwa, the Japanese-owned securities house, was also a keen supporter of the shares, after a 40-page buy note published by Daiwa telecoms analyst Mr John E. Clarke.

The Daiwa analyst described BT as "more than just a defensive utility". He added: "Annual earnings and dividend growth should exceed the likely UK industrial average over the next two years; cash flow is very strong, gearing will fall significantly."

Doubts were raised over the safe haven qualities of the food retailing sector yesterday after Tesco revealed how much of an effect the recession is having on supermarket sales.

Tesco fell 14 to 266p in busy trading after it announced with *its interim results that sales* growth had been significantly below that of the previous year. The other sector leaders weakened in sympathy. Argyll was off 8 at 296p. Asda was down 5 at 94p and J. Sainsbury *slipped 9 to 355p.*

Although Tesco's half-time profits of £229.6m were in line with most forecasts, full year estimates were reduced by between £10m to £15m to £545m to £560m.

Asda suffered the heaviest fall of the leading food retailers as 10m shares changed hands. The company announced that Mr Patrick Gillam, who is retiring as managing director of BP, will become chairman. But *there was disappointment that* as yet there is no word on a new chief executive.

The oil sector took another pasting. Shell continued to suffer from the bearish stance adopted by Strauss Turnbull and dipped a further 6 to 506p on keen turnover of 6m.

BP lost 5 at 327p, having been as low as 324p earlier in the session, with a heavier than usual 9.8m shares traded. The stock was depressed by revived stories that a hefty rights issue could be in the pipeline. Oil specialists thought this unlikely and pointed out that Mr Robert Horton, BP's chairman, had ruled out a rights issue when the group announced its interim figures on August 1.

British Gas provided the only strong performance in the sector, climbing 7 to 275p on 7.8m traded, with the market said to have been relieved at the extent of its price cuts for supplies to power station customers. Executives from British Gas's exploration and production division gave a presentation to the London Oil Analysts Group yesterday afternoon.

There was a flurry of activity in Reuters after two incorrect reports of a bonus issue in the stock appeared on the company's own newswire. The shares were briefly 16 better before ending at 920p for a net gain of 4.

Hanson saw heavy two-way trade the day after the company launched a bid for Beazer. Turnover reached 26m shares, just below the previous day's level and the second busiest day this year. US buyers helped the stock move ahead 3¼ to 218p.

United Friendly "B" jumped 27 to 414p following the 20 per cent increase in the interim dividend.

Kingfisher dropped 11 to 559p on renewed speculation that it may be set to acquire Littlewood's privately-owned mail order business. There was also talk that it could bid for Ratners. Kingfisher's interim profits of £62.5m, down 4.4 per cent, were as expected by stockbrokers.

Sears held broadly steady against a weaker market after it announced the appointment of Mr Liam Strong as chief *executive. The stock closed a* penny lower at 93p. But Mr Strong's departure from British Airways, where he is currently director of marketing, contributed to BA's decline of 2 to 183p.

Whitbread featured in an otherwise dull drinks sector. The shares retreated 12 to 486p as Hoare Govett lowered its profits forecast for the current year from £255m to £227m.

Rank Organisation lost ground as County NatWest recommended a *switch* into Thorn EMI. Analysts visit Thorn's US music businesses starting today, and Rank's US leisure side at the weekend. Rank slipped 14 to 716p.

Ladbroke shares went ex the rights issue yesterday and there was busy two-way trade in the nil-paid stock. Turnover there reached 10m as the price settled at 44p, below the day's best. Volume in the ordinary shares was a strong 2.9m as the price fell 13 to 270p xr.

Forte was depressed by vague talk of a rights issue. The shares finished down 4 at 276p, after 274p. British Poly*thene accompanied its interim* figures with a rights issue of two shares for every nine held at 285p to raise £15.4m. The stock advanced 8 to 354p.

British Aerospace gave up 13 to 401p as the shares settled at their lowest level for over three years. Turnover reached 2.2m as the company held a meeting with investors yesterday afternoon.

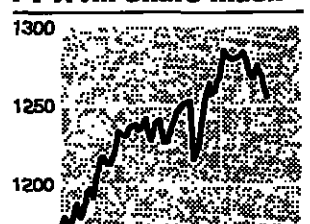
Hawker Siddeley gained 9 to 593p ahead of tomorrow's interim figures on above-average turnover of 3m. Analysts expect profits to be in the range of £58m to £68m. There is still talk in the market that BTR may launch a bid for Hawker.

IMI lost 9 to 252p on meeting profit-taking.

MARKET REPORTERS:
Daniel Green, Joel Kibazo, Jim McCallum, Steve Thompson.

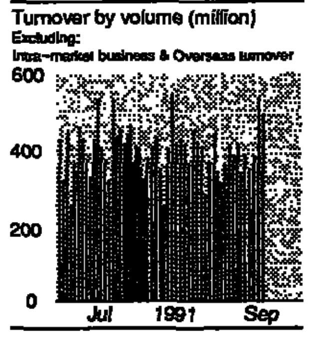
■ Other market statistics, including the FT-Actuaries Share Indices and London Traded Options, Page 22.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



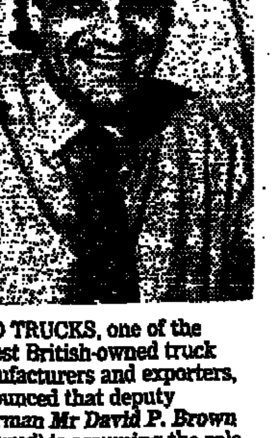
NEW HIGHS AND LOWS FOR 1991

NEW HIGHS (106).
INT.BANK & O'SEAS GOVT. STLG. ISSUES (1) Inti-Amer. Dev. 9¼pc 2015, **BANKS** (2) Bancaire Cie, Secure Trust, **BREWERS** (1) Bulmer (HP), **BUILDINGS** (3) Brit. Dredging, Newman-Tonks, Tay Homes, **CHEMICALS** (4) Bayer, Caird, Do. 7p Prf., Joyes, **STORES** (4) Amber Day, Cantors A, Hartstone, T & S, **ELECTRICALS** (6) Betacom, Druck, Harland Simon, Prestwick, Racal Elects., Volex, **ENGINEERING** (7) Atlas Converting Equip., BM, Johnson & Firth, Morris Ashby, Powerscreen, Prospect Inds., TI, **FOODS** (3) Brake Bros., *Morrison (Wm)*, Nichols (Vimto), **INDUSTRIALS** (33) AAH, Assoc. Brit. Ports, Assoc. Farmers, Avon Rubber, BSS, Brit. Polythene, CRT, Charter Cons., Colorgen, Comac, Cornwall Parker A, ECC, Great Southern, Inchcape, Low & Bonar, Mining & Allied Supplies, Mitsubishi, Norcros, Page *(M)*, Paterson Zochonis, Do. A, Porter Chadburn, Reliance Security, Reuters, Rolfe & Nolan, Ross, Scott Pickford, Serco, TT, UniChem, Vinten, Waterford Wedgwood, Worcester, **INSURANCE** (1) Utd. Friendly B, **LEISURE** (3) Capital Radio, Central ITV, Hi-Tec Sports, **MOTORS** (2) ERF, Lex Service, **PAPERS** (3) Cropper (J), Gold Greenlees Trott, Smurfit (J), **PROPERTY** (3) Brixton Est., Ewart, Mucklow (A & J), **SHOES** (1) Pittard Garnar, **SOUTH AFRICANS** (1) Barlow Rand, **TEXTILES** (2) Foster (J), Lyles (J), **TRANSPORT** (3) Interlink Express, Mayne Nickless, NFC, **TRUSTS** (16) Aberforth Split Level Cap., Do. Units, Baring Puma Fund, Beta Global Emrg. Mkts. Wrrnts., Edinburgh Fund Managers, Exmoor Dual Inc., Moorgate Inv., Murray Smllr. Mkts., Murray Split Cap. Units, North Brit. Canadian, Rathbone Bros., St David Inc., TR Far East Inc., Templeton Emrg. Mkts. Do. Wrrnts., Whitbread Inv., **OILS** (1) Total B.

NEW LOWS (26).
AMERICANS (1) Texas Instruments, **CANADIANS** (1) Breakwater Res., **ELECTRICALS** (2) Burnfield, Oxford Instruments, **INDUSTRIALS** (5) Brit. Aerospace, Grovewood, Nestor-BNA, Tamaris, Wills, **LEISURE** (2) Quadrant, Surrey, **PAPERS** (1) Repola, **TRUSTS** (7) City & Commercial Inc., JF Asia Select, JF Indonesia Fund Inc., Japan OTC, Japanese Wrrnt. Fd. Wrrnts., Mediterranean Fund, Strategem, **OILS** (4) Clyde, LASMO, Pict, Ultramar, **MINES** (3) Loraine, Randex, South African Land, Sons Gwalia, Vlaklonstein.

APPOINTMENTS

Chief for AWD Trucks



AWD TRUCKS, one of the largest British-owned truck manufacturers and exporters, announced that deputy *chairman Mr David P. Brown (pictured)* is assuming the role of chief executive.

Mr Brown takes over from managing director Mr Michael Sanderson, who has resigned and accepted the post of group chief executive to the British Standards Institute. Mr Sanderson will remain on the AWD board as a non-executive director.

■ UNION BANK OF *SWITZERLAND has appointed* Mr Alan Saunders as the private banking division's new head of investment management. He was previously with Lazard Investors as investment director responsible for global *investment strategy*.

Prior to Lazard he worked for eight years at Royal Dutch/Shell, where for five years he was chief economist. Before that he was a partner of stockbrokers Simon & Coates.

■ PROVEND SERVICES, the company formed following the successful buy-out of the business and assets of Sketchley Vending, has named Mr Michael Borlenghi as non-executive chairman.

Mr Borlenghi was with GKN for 24 years, the last five as business development director.

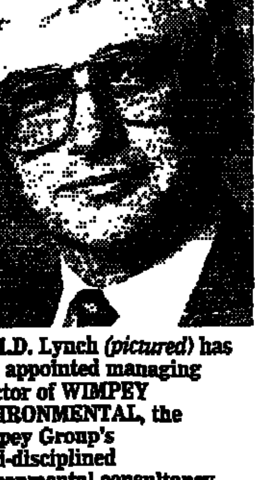
■ DAVID S. SMITH (HOLDINGS), the paper and packaging group, has appointed Mr David Buttfield as group financial controller. He was financial controller of Reedpack, the office supplies, paper and packaging group.

■ Mr Christopher Galleymore and Mr Jeremy Gould have been appointed to the board of Touche Remnant Investment Management.

Mr Galleymore is responsible *for the North American team* and will manage the equities in that area for UK pension fund clients, and Mr Gould joins the UK equity team on pension fund accounts.

■ *QS HOLDINGS announced* that Mr Nigel Tibbles has indicated that he will retire as chairman and a director of the company at the end of October immediately preceding his 61st birthday. He has been chairman of the group since 1985.

Mr Marc Walters, managing director of the main trading company since 1984 and of the group since 1988, has been elected as group chairman with effect from November 1. He will continue as managing director of the group.



Mr M.D. Lynch *(pictured)* has been appointed managing director of WIMPEY ENVIRONMENTAL, the Wimpey Group's multi-disciplined environmental consultancy. He has spent most of his career with Wimpey, including working with Wimpey Plant, Wimpey Merchants, Wimpey Homes and Wimpey *Waste* Management.

■ Mr David Parrish is taking on the role of assistant finance director at The General Electric Company. He joins GEC from ICI, where he was corporate treasurer.

■ BRITISH LAND has appointed Mr Nicholas Ritblat as a director.

■ SPITALFIELDS DEVELOPMENT GROUP, a partnership of BICC Developments, County and District Properties (part of Costain) and London and Edinburgh Trust, named Mr Michael Bear, former managing director of Iberia Developments, as chief executive.

He succeeds Mr Brian Cheetham who, having overseen the construction of the New Spitalfields Market at Temple Mills, is leaving to pursue interests outside SDG. The Spitalfields and Stratford traders relocated to Temple Mills in May this year.

Mr Bear, 38, will head the SDG team which, since the appointment of urban designers Benjamin Thompson and Associates in April this year, has been working on a new master plan for the 12-acre site.

■ Within the FKI group, Mr Mike Wedgwood will become managing director of FKI Cutting Tools Division (comprising Clarkson International Tools and Osborn-Mushet Tools) and Mr Mike Goodchild managing director of FKI Cableform, both with effect from October 1.

FINANCIAL TIMES STOCK INDICES

	Sept 17	Sept 16	Sept 13	Sept 12	Sept 11	Year Ago	1991 High	1991 Low	Since Compilation High	Since Compilation Low
Government Secs	87.38	87.44	87.48	87.16	87.01	78.29	87.48 (13/9)	82.17 (2/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.63	96.07	96.07	95.91	95.86	87.04	96.63 (17/9)	90.59 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share ●	2037.9	2051.0	2067.8	2083.0	2068.1	1576.8	2108.3 (2/9)	1606.3 (16/1)	2108.3 (2/9/91)	49.4 (26/6/40)
Gold Mines	155.6	155.0	154.4	156.4	160.2	186.2	222.8 (11/7)	127.0 (22/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2594.4	2606.0	2625.8	2641.9	2626.5	2084.0	2679.6 (2/9)	2054.8 (16/1)	2679.6 (2/9/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1174.54	1173.55	1183.12	1182.93	1178.65	-	1198.60 (3/9)	938.62 (16/1)	1198.60 (3/9/91)	938.62 (16/1/91)
●Ord. Div. Yield	4.73	4.71	4.67	4.63	4.63	5.02				
●Earning Yld %(full)	7.63	7.60	7.52	7.47	7.49	12.63				
●P/E Ratio(Net)(*)	16.36	16.43	16.60	16.72	16.67	9.60				
SEAQ Bargains 4.45pm	27,825	26,809	36,289	31,169	27,563	17,615				
Equity Turnover(£m)†		896.99	1,163.70	828.07	805.01	638.93				
Equity Bargains†		29,974	36,504	31,441	27,665	16,167				
Shares Traded (mil)†		496.4	532.5	395.6	352.4	312.2				

Ordinary Share Index, Hourly changes — Day's High 2057.7 — Day's Low 2032.9

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2056.4	2053.4	2045.4	2046.8	2039.1	2038.4	2037.9	2035.8	2037.4

FT-SE 100, Hourly changes — Day's High 2612.7 — Day's Low 2587.1

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2611.2	2607.6	2595.4	2598.5	2592.8	2592.9	2592.9	2591.6	2595.4

FT-SE Eurotrack 200, Hourly changes — Day's High 1175.68 — Day's Low 1171.54

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1175.47	1173.93	1175.15	1174.90	1174.66	1174.26	1174.46

GILT EDGED ACTIVITY

Indices	Sept 16	Sept 13
Gilt Edged Bargains	73.1	87.4
5-Day average	85.2	89.3

*SE Activity 1974. †Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001.

TRADING VOLUME IN MAJOR STOCKS

[illegible]	[illegible]	[illegible]	[illegible]

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

STOCK INDEX futures diverged from the the stock market yesterday as the September FT-SE contract spent much of the session at a strong premium to the spot index despite the general weakness in UK equities, writes Jim McCallum.

After an initial attempt at a rally, the cash market moved lower with *dealers suspecting* that a programme trade, weighted towards the sell side, had overhung the market.

Equity futures also retreated but at a slower pace. As the day wore on the premium expanded and at one stage reached 25 points.

The September FT-SE closed at 2,611, down 12 points, while its premium finished at 16 against fair value of 7.

Turnover in traded options remained *buoyant, and* with much of the business in calls, investors using the options market may also be taking a more positive view for UK equities.

Ultramar was the busiest option on speculation that it will drop out of the FT-SE 100 index. The largest trade was a buyer of 500 October 240 and 280 calls and a seller of 1,500 October 260 calls. A buyer of 1,000 Hanson 200 calls, 400 *Scottish Power December 120* calls and 500 Asda January 100 puts boosted trade.

LONDON SHARE SERVICE

BRITISH FUNDS

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
		"Shorts" (Lives up to Five Years)				
100¼	99⅜	Exch. 11pc 1991	100¼	...	10.99	10.01
99½	96⅝	Treas. 8pc 1992	99	...	8.04	9.98
101½	100	Treas 12¼pc 1992‡‡	100⅝	...	12.64	9.78
100¼	97	Treas 10pc 1992	100¼	...	10.00	9.83
132	125	Treas. 2pc IL 1992‡‡	132xd	...	2.00	8.10
99	95	Treas. 8pc 1992 ‡‡	99xd	-	8.07	9.83
100	98	Treas 10¼pc Cv 1992‡‡	100	...	10.45	9.79
96	91	Treas. 3pc 1992	96	...	3.11	8.00
102	100	Exch. 12¼pc '92	102	-	11.98	9.69
104	102	Exch 13½pc 1992	103xd	-	13.03	9.66
98	94	Treas 8¼pc 1993	98	-	8.40	9.64
100	97	Treas 10pc 1993‡‡	100xd	-	9.94	9.63
104	102	Treas 12½pc 1993‡‡	104	-	11.95	9.70
94	89	Funding 6pc 1993‡‡	94	...	6.32	8.81
108	105	Treas 13¾pc 1993‡‡	107	-	12.78	9.71
97	92	Treas. 8½pc 1994	97	-	8.71	9.62
111	108	Treas 14½pc 1994‡‡	110	-	13.14	9.65
[illegible]	[illegible]	[illegible]	108	-	12.45	9.70
[illegible]	[illegible]	[illegible]	100	-	9.93	9.66
[illegible]	[illegible]	[illegible]	106	-	11.70	9.73
[illegible]	[illegible]	[illegible]	98	-	9.17	9.65
		Five to Fifteen Years				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BRITISH FUNDS—Contd

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
103	94	Treas 10pc 2003	102	-	9.73	9.58
110	102	Treas 11½pc 2001-04	110¼	-	10.43	9.81
61	53	Funding 3½pc '99-04	61½	-	5.69	8.46
99	90	Conversion 9½pc 2004	99	-	9.56	9.55
99	90	Conversion 9½pc 2005	99xd	-	9.54	9.54
120	111	Treas. 12½pc 2003-05	120	-	10.39	9.60
		Over Fifteen Years				
88	79	Treas. 8pc 2002-06‡‡	87xd	-	9.13	9.54
114	105	Treas. 11¾pc 2003-07	114½	-	10.26	9.59
92	84	Treas 8½pc 2007 ‡‡	92	-	9.24	9.45
128	118	Treas 13½pc '04-08	127xd	-	10.55	9.59
96	88	Treas. 9pc 2008 ‡‡	96½xd	-	9.33	9.38
87	80	Treas 8pc 2009	87xd	-	9.13	9.40
96	88	Conv 9pc Ln 2011 ‡‡	96	....	9.32	9.36
96¾	91	Cnv 9pc 2011 A	96	.....	9.51	9.55
65¼	58	Treas 5½pc 2008-12‡‡	65¼	-	8.45	9.28
84	76	Treas. 7¾pc 2012-15‡‡	84	-	9.18	9.38
124	113	Exch 12pc '13-'17	123⅝	-	9.71	9.41
		Undated				
41¼	37	Consols 4pc	41¼	.....	9.70	-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
		Index-Linked				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INT. BANK AND O'SEAS

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
106⅞	95⅞	African Dv Bk 11¼ Ln 2010	106⅛	-	10.43	10.30
101¼	91⅞	Asian Dev Bk 10¼pcLn2009	101½	-	10.10	10.06
116	105	Int-Am Dev Bk 12½pc 2003	114	-	10.89	10.24
96	86¾	Do. 9¼pcLn 2015	96⅛	-	10.12	1.014
125	101	Unt Mexican States 16½pc 2008	125	......	13.20	12.84

CORPORATION LOANS

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
104½	100½	Birmingham 11½pc 2012	104½	...	11.00	10.90
98½	93½	GLC 6¾pc 1990-92	98½	.....	6.85	9.40
117½	110½	Leeds 13½pc 2006	117½	.	11.49	11.21
31	28	Liverpool 3½pc Irred	31	....	11.29	-
27	26	LCC 3pc '20 Aft	27	.	11.11	-
104½	97½	Manchester 11½pc 2007	104½	....	11.00	10.90

COMMONWEALTH & AFRICAN LOANS

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
95	84½	Sth Rhod 87-92 Assd	95	...	4.74	-

LOANS

Building Societies

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Public Board and Ind.

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FOREIGN BONDS & RAILS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on next page

LONDON SHARE SERVICE

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AMERICANS

1991 High	Low	Stock	Price £	+ or -	Div Gross	C'vr	Y'ld Gr's
33¼	20⅞	Abbott Laboratories$	30½	...	$1.00	–	1.9
385p	257p	♥Allegheny & W 1c	258p	-9	30c	–	6.9
10⅛	667p	Amdahl 5c	817p	+15	10c	–	0.7
42⅛	25⅛	Amer. Cyanamid $5	35⅝	-⅛	$1.50	–	2.5
17⅜	9	Amer. Express 60c	14⅜	-¼	92c	–	3.7
24½	15¼	American T. & T. $1	21⅝	-⅛	$1.32	–	3.6
38¾	32½	Ameritech $1	35⅛	...	$3.40	–	5.6
26	12	BankAmerica $1½	23	-	$1.20	–	3.1
35⅝	20	Bankers N.Y. $1	33	-	$1.53	–	8.7
30½	24¼	Bell Atlantic $1	27½	-⅛	$2.52	–	5.4
31¼	25	BellSouth Corp.	28½	+⅛	$2.76	–	5.7
11¼	6	♥Bethlehem Steel $8	10½	+⅛	40c	–	2.3
1839p	1046p	Bowater Inc.	1455p	+10	$1.20	–	4.9
54⅛	37	CPC Intnl. 25c	50½	-½	$2.00	–	2.3
930p	420p	California Engy	820p	...	–	–	–
50	28¼	Campbell Soup 15c	43	-	$1.16	–	1.6
12¼	5	Chase Manhattan $12½	11	-⅛	$1.20	–	6.6
9	5½	Chrysler $6¼	6⅝	...	60c	–	5.6
10	5⅝	Citicorp $1	8	-¼	$1.00	–	7.3
25	21	Colgate-Palmolive $1	24	-	$1.06	–	2.7
928p	438p	Cont'l Bank Corp $4	652p	-13	60c	–	5.4
21⅝	13	Dana Corp $1	17½	-¼	$1.60	–	5.4
1199p	203p	Data General	1146p	-10	–	–	–
22⅛	12⅞	Dial Crop $1 $	20⅝	-¼	$1.40	–	4.0
29⅝	20¼	Dun & Bradstreet $1	27	-⅛	$2.16	–	4.7
40	24¼	Eaton Corpn 50c	36	+	$2.20	–	–
8½	5½	Echlin Inc.	7¼	-	70c	–	5.8
20¼	14	FPL Group 1c	18¼	-¼	$2.40	–	7.6
30	17	Fluor Corp 62½c	23⅜	-	32c	–	0.8
23¼	13¼	Ford Motor $1	17⅛	-	$1.60	–	3.5
46	28	Gen. Elect. 63c	40	+	$2.04	–	3.0
566p	270p	♥General Host Corp $1	466p	+4	34c	–	4.3
45¼	20⅞	Gillette $1	23½	+½	62c	–	1.6
18⅛	794p	Hasbro Inc 50c	15⅛	-½	24c	–	0.9
38½	21¼	Honeywell $1½	31⅝	+⅛	$1.50	–	2.8
23⅛	17⅞	Houston Inds	22⅛	-¼	$2.96	–	7.8
72	55	IBM Corpn $1¼	59½	-2⅞	$4.84	–	4.8
32½	18	Ingersoll-Rand $2	28⅛	+⅛	$1.32	–	2.8
28¼	16⅛	Lockheed Crpn $1	23⅝	+½	$2.00	–	5.0
2155p	1245p	Lowe's 50c	1834p	-59	56c	–	1.8
18⅞	9½	Manuf. Hanover $1	16¼	-⅛	♦$3.28	–	11.9
26	10	Merrill Lynch $1	24½	-¼	$1.00	–	2.4
33⅝	21	Morgan (JP) $2½	31½	+⅛	$1.98	–	3.7
44¼	25	Morris (Philip)	41	-⅛	$2.10	–	3.0
46⅛	39	NYNEX $1	43⅛	-⅛	$4.56	–	6.2
89p	15p	♥Pac. Agricultural	15p	..	–	–	–
23	11⅞	Pall Corp. 25c	21⅝	...	h44c	–	1.2
46⅛	33¼	Pennzoil 83 1/3c	37½	-¼	$3.00	–	4.7
40½	24⅞	Quaker Oats $5	31⅝	-1⅛	$1.56	–	2.9
41¼	24	Rep NY Corpn $5	38¼	-½	$1.40	–	2.2
17⅛	12⅛	Rockwell Intl. $1	15⅛		86c	–	3.5
25⅝	12	Sears, Roebuck 75c	23	-¼	$2.00	–	5.1
34⅛	25⅛	Southwestern Bell $1	32½	+⅛	$2.84	–	5.2
20¼	14	Sun Co. Inc. $1	18	+	$1.80	–	5.9
27⅛	21⅛	Tenneco $5	22½	-½	$3.20	–	8.0
40½	29	Texaco $6.25	36½	+½	$3.20	–	5.2
26⅛	15	Texas Instr. $1	15	-	72c	–	2.7
°64½	37⅞	Time Warner $1	45¼	-⅛	$1.00	–	1.3
16⅛	8⅞	TRINOVA Corp.	13	-	68c	–	3.0
538p	250p	♥Unifab	512p	..	–	–	–
29½	22⅛	Utd. Technologies	26⅞	+⅛	$1.80	–	4.0
92p	42p	♥Utilitech Inc.	82p	...	–	–	–
23	18¼	US West	21	+	$2.08	–	5.8
162p	87½p	Varity Corp	126p	-4	$1.30	–	–
24	16⅝	Waste Management $1	20⅝	-¼	44c	–	1.3
2200p	1053p	Whirlpool $1	2121p	+18	$1.10	–	3.1
20	13½	♥Woolworth $3½	16¼	-⅛	$1.08	–	3.9

CANADIANS

1991 High	Low	Stock	Price £	+ or -	Div Gross	C'vr	Y'ld Gr's
11p	8½p	♥Abbot Energy Corp.	10¼p	...	–	–	–
1477p	953p	♥Amer. Barrick Res.	1228p	...	8c	–	0.3
19⅝	13	Bk. Montreal	19	..	$2.12	–	5.7
1015p	536p	Bk. Nova Scot.	997p	-9	$1.00	–	5.1
831p	639p	♥BC Gas $1	808p	...	60c	–	3.8
24	17¼	BCE	22⅛	-	$2.56	–	5.9
10½	647p	♥Brascan	908p	-9	$1.04	–	5.8
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

For Varity see Americans

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES – Contd

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ENGINEERING

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

هكذا من الأصل

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LEISURE—Contd

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
178	123	Barr & W.A.T. 'A'	174	.....	9.75	1.7	7.5	10.7
750	425	Boosey & Hawkes	750	...	16.4	2.7	2.9	15.0
58	24	Border T.V.	57½	.....	2.1	♦	4.9	♦
88	9½	Brent Walker 10p	23¼	+¼	5.0	–	–	–
28	12½	Do 6pc Cv Cm Rd Pf £1	31	.....	–	–	–	–
55	13	Buckingham Int'l 10p	23	...	‡2.1	1.8	‡	5.4
368	183	Campari Int. 20p	359	.....	†11.0	2.9	4.2	9.7
229	134	Capital Radio 2½p	220	+2	5.25	2.9	3.2	14.5
528	350	Carlton Comms 5p	510	.....	†14.1	2.4	3.7	14.3
82	61	Do. 6.5p Prf 5p	81	.....	6.5	–	10.7	–
255	168	Castle Comms. 5p	223	.....	8.5	1.7	5.1	14.9
939	480	Central ITV	933	+3	28.5	1.4	4.1	22.8
164	120	Chiltern Radio 10p	163	.....	†4.8	2.6	3.9	12.5
89	39	Chrysalis	76	.....	‡2.0	–	‡	–
49	27	Citywision 5p	39	.....	1.0	7.0	3.5	5.1
4	3	Classic Th'tres W0 20	4	.....	–	–	–	–
256	225	Eurocamp 5p	256	.....	8.5	2.5	4.4	12.3
1405	908	Euro Disney Fr10	1403	+5	–	–	–	–
30	5	European Lei. 6.25p	10½	.....	1.7	2.2	21.6	1.8
44	21½	Ex Lands 10p	34	.....	–	–	–	–
47	13	Expedier 20p	16	+1	1.0	2.7	8.3	4.4

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Contd

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
106	66	Asda Property 20p	85	.....	†1.85	0.8	2.9	59.8
32	18	BDA Hldgs. 10p	23	.....	–	–	–	–
48	30	BHH Group 50p	36	+1	1.0	–	3.7	–
68	45	Baker Hrris Snds 10p	53	.....	2.5	1.8	6.3	12.1
71	52	Barlows 10p	56	.....	2.48	0.6	5.9	40.8
493	325	Bilton (Percy)	480	–3	17.44	1.5	4.8	19.0
68	51	Bolton Grp. 5p	59½	.....	–	–	–	–
85	47	Bourne End Prop.	49	.....	2.0	–	5.4	–
150	115	Bradford Prop. 5p	147	.....	3.7	2.9	3.4	13.9
88	58	Bredero Props.	65	...	‡2.4	2.7	‡	8.2
94	44	Britannia Grp 5p	54		3.0	1.2	7.4	14.9
330	255	British Land	323	+4	5.75	1.7	2.4	30.3
£116	£100	Brit Land 8½pc Cv	£113xd	...	Q8½%	–	7.6	–
212	151	Brixton Estate	212	+1	†7.1	1.4	4.5	18.9
48	35	Burford Hldgs 1p	43½xd	...	†0.85	2.0	2.6	25.1
16	9	Cabra Ests.	11	+¼	0.1	–	1.2	–
°353	226	Capital & Counties	236	+1	H10.0	1.8	5.8	9.7
95	73	Do 5¾pc Prf £1	74xd	+1	5.75%	–	10.4	–
135	110	Cap. & Reg. Prop.	110	...	0.9	0.8	1.1	–
325	200	Cardiff Prop 20p.	200	...	2.4	2.5	1.6	33.0
640	475	Chesterfield	518	+3	18.5	1.5	4.8	18.1

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

INVESTMENT TRUSTS

INVESTMENT TRUSTS—Contd

Net asset values supplied by County NatWest Wood Mackenzie as a guide only.

FINANCE, LAND, ETC

FINANCE, LAND, ETC—Contd

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
1313	840	Siam Fd Red. Prf	1032	–15	–	–	–	–
518	303	Singapore SESDAQ Ic	332	...	–	–	–	–
56	33	Singer & Friedlander	45xd	.....	2.5	1.7	7.4	10.4
145	95	Smith New Court	124	...	3.5	1.2	3.8	27.8
87	61	Do. Cnv Prf 50p	75	–1	6.5	–	11.6	–
131	123	South America Fund	123		–	–	–	–
48½	44½	Do. Warrants	44½	–½	–	–	–	–

WATER

OIL AND GAS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

MINES—Contd

Australians

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
53	24	♦ACM 50c	49	–1	♦03c	♦	2.6
27	13	♦ACM Gold	18½	+½	Q5c	♦	13.9
3	3	♦Arboyne 50c	3	.....	–	–	–
36½	20	♦Aztec Expln	32	...	ZQ1c	–	1.5

Tins

Miscellaneous

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
61	30	‡‡Ivernia West	54	+1	–	–	–
46	35	‡‡Kells Mins. Ir5p	35	...	–	–	–
25	9	♦Kenmare	10	–½	–	–	–
18	15	‡‡Navan Resources	16	.....	–	–	–
99	52	Northgate Expl. C$1	59	..	–	–	–
16	5	North West Exp	5	.....	–	–	–
188	82	Oryx Gold Hldgs.	132	–4	–	–	–
23	11	‡‡Ovoca Gold IR 2p	13	.....	–	–	–
44	17	Plateau Mining 20p	17	.....	–	–	–
605	404	RTZ 10p	548xd	–8	19.5	1.7	4.8
11	3¼	♦Thorco Res. Inc.	10¼	.....	–	–	–
10	4	♦Vizcaya Hldgs 5p	4	.....	–	–	–
152	90	♦Wstrn & Pac Res	96	–4	–	–	–
133	118	♦Young Group 10p	122	.....	5.2	1.8	5.7

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha refers to shares traded through SEAQ by at least two marketmakers and with a normal market size of 2,000 or more, based on experience of how many of its shares are traded in the typical deal. β Beta refers to all other shares. γ Gamma refers to other traded instruments.

Highs and lows are based on intra-day mid prices. Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- ° Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ‡ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1991. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1.	β	640	.....
Finlay Pkg. 5p	β	21	.....
Holt (Jos) 25p	β	1973	.....

IRISH

Cap 8¼% Ln 2010	£94½	.....
9pc Cap Ln. 1996	£98	–¼
Fin 13% 97/02	£114	.....
Arnotts	180	.....
Heiton Hldgs. γ	45	+2
IRG	138	.....
United Drug	180	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	46
Amstrad	7
Astec (BSR)	6
BAT	60
BOC Grp	31
BTR	33
Barclays	38
Blue Circle	24
Boots	30
Bowaters	53
Brit Aerospace	56
British Steel	12
Brit. Telecom	29
Cadburys	33
Charter Cons.	45
Comm Union	44
Courtaulds	32
Eurotunnel	50
FKI	6
FNFC	20
Gen Accident	48
GEC	17
Glaxo	80
Grand Met	62
Guardian	19
GKN	31
Hanson	19
Hawker Sidd	39
ICI	80
Ladbroke	22
Legal & Gen	36
Lex Service	20
Lloyds Bank	30
Lucas Inds	13
Marks & Spencer	21
Midland Bk	18
Nat West Bk	27
P & O Dfd.	51
Racal Elect	18
RHM	28
Rank Org Ord	63
Ratners	17
Reed Intnl	36
Sears	8½
SmKl. Beecham A	58
TI	45
TSB	12
Tesco	21
Thorn EMI	64
Trust Houses	23
T&N	15
Unilever	60
Vickers	19
Wellcome	48

Property	
Brit Land	30
Control Secs	3
Land Securities	45
MEPC	48
Mountleigh	8½

Oils	
Aviva Petlm	3
Brit Petroleum	28
Burmah Castrol	49
Conroy Petlm	10
Gaelic Res	1
Premier	6
Shell	41
Tuskar Res	2
Ultramar	58

Mines	
Lonrho	21
RTZ	48

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1,150 a year for each security shown, subject to the Editor's discretion.

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AUTHORISED UNIT TRUSTS

MW Investment Managers Ltd (0659)F
46 Court St, Haddington, E. Lothian 062 082 5867

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
MW Joint Investors	0	1057.9	1057.9	1086.5		4.35

Maldon Unit Trust Managers Ltd (1400)F
15 St Botolph St, London EC3A 7EE 071 226 6066

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Maldon General	0	119.9	119.9	123.11	----	4.72

Manulife Management Ltd (1200)H
St George's Way, Stevenage Dealings 071-256 5858

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Growth Units	5¼	136.3	136.3xd	145.0	-0.5	4.10
Gilt & Fxd Inc	5	150.7	150.7	158.5	-0.3	7.99
Intl Growth	5¼	145.5	145.5	154.8	-0.2	0.46
North American ♥	5¼	95.33	95.33	101.4	-1.0	0.34
Far East	5¼	116.0	116.0	123.4	+0.3	0.52
UK Smaller Cos	5¼	106.3	106.3	113.1	+0.3	2.80
European	5¼	54.15	54.15	57.75	+0.17	1.14
Japanese Growth	5¼	36.56	36.56	39.16	+0.40	0.00
Managed P'folio	5¼	49.85	50.20	53.40	-0.04	1.55
High Income	5¼	150.6	152.4xd	162.1	-0.4	5.76
High Yielding Gilt	5¼	61.65	61.65	64.89	-0.16	9.61
Cash		51.88	51.88	51.88	+0.01	9.07

Morgan Grenfell Unit Tst Mgrs Ltd (1000)H
20 Finsbury Circus, London EC2M 1UT
Dealers: 071-826 0826 Enquiries: 071-826 0123

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Gwth	5¼	161.2	161.2	172.1	-0.5	0.83
European Gth Inc	5¼	201.6	201.6	215.0	+0.2	0.00
European Gth Acc	5¼	201.6	201.6	215.0	+0.2	0.00
Intl Gwth	5¼	141.2	141.2	150.4	-0.8	0.00
UK Equity Inc	5¼	121.3	121.3	130.4	-0.2	6.19
UK Equity Acc	5¼	136.6	136.6	146.9	-0.2	6.19
UK Ind Tracker Inc	5	125.3	125.3xd	133.7	-0.6	3.69
UK Ind Tracker Acc	5	136.2	136.2xd	145.3	-0.7	3.69
US Eq Ind Tracker Inc	5	140.1	140.1xd	150.2	-0.5	3.00
US Eq Ind Tracker Acc	5	145.5	145.5xd	156.0	-0.5	3.00
Japan Tracker	5	61.38	61.38	65.09	+0.37	0.00
Asian Trader	5¼	80.72	80.72	86.44	-1.01	1.55
Managed Inc	5¼	101.1	101.1	108.7	-0.2	1.92
Managed Acc	5¼	102.7	102.7	110.5	-0.2	1.92
Cash Inc	0	100.20	100.20xd	100.20	+0.02	10.62
Cash Acc	0	110.73	110.73xd	110.73	+0.02	10.62
Europa	5¼	105.2	105.2xd	112.5	.....	0.00

For Geoffrey Morley see Commercial Union

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH. Tel: 071 - 379 - 0444.

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	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Stewart Ivory Unit Tst Mgrs Ltd (1200)H						
45 Charlotte Sq, Edinburgh 031-226 3271						
American ¥	5	297.8	297.8	318.0	+0.1	1.31
(Accum Units) ¥	5	348.4	348.4	372.0	+0.1	1.31
British	5	820.8	820.8	868.4	+2.4	5.30
(Accum Units)	5	1348.5	1348.5	1426.7	+3.9	5.30
European	5	332.4	332.4	354.0	+1.3	1.48
(Accum Units)	5	356.3	356.3	379.4	+1.4	1.48
Japan	5	113.9	113.9	121.1	+0.2	—
(Accum Units)	5	114.8	114.8	122.0	+0.2	—
New Pacific	5	166.9	166.9	177.4	-1.3	1.99
(Accum Units)	5	171.4	171.4	182.1	-1.4	1.99
PEP Sept 12	5	142.7	144.7	153.2		3.63
Mngd Equity	5	123.7	125.6	132.9	-2.3	3.48
Mngd Equity Acc	5	131.2	133.2	141.0	-2.4	3.48
Mngd Cash	5	97.01	97.01	99.90	—	10.50
(Accum Units)	5	114.9	114.9	118.4		10.50
Mngd Fund Acc Aug 28	5	121.6	121.6	130.0		6.77
Majority Stig	1	101.02	101.02	102.02	+0.02	10.39
Majority Stig Acc	1	105.96	105.96	107.01	+0.02	10.39
Stewardship Intl Inv Mngrs Ltd (1200)F						
Admin: 9-Rayleigh Rd, Hutton, Brentwood, Essex						
Enquiries: 0277 227300 Dealing: 0277 261010						
International Sept 13	0	50.91	50.91	51.46		3.46
Sun Alliance Unit Tst Mngmt Ltd (1200)F						
Sun Alliance House, Horsham 0403 56293						
Equity	6	615.8	623.6	666.9	-3.0	3.08
North America	6	76.18	76.95	82.30	-0.49	1.02
Far East	6	68.10	69.11	75.30	-0.42	1.45
W'wide Bond	6	47.82	47.82	50.87	-0.14	6.16
European	6	67.18	67.18	71.85	+0.22	1.21
Equity Income	6	71.98	73.00	78.07	-0.19	5.16
Portfolio	6	58.07	58.07	62.11	-0.19	2.03
Sun Life of Canada Unit Mgrs Ltd (1000)H						
Basing View, Basingstoke, Hants 0800 525725						
American Growth	6	25.45	25.45	27.22	-0.11	0.39
Managed Assets	6	104.88	105.47	112.81	-0.42	3.60
UK Income	6	33.68	34.18	36.56	-0.13	4.33
UK Growth	6	33.45	33.84	36.20	-0.18	3.02
Worldwide Growth	6	24.35	24.35	26.05	-0.02	0.82

	Bid Price	Offer Price	+ or -	Yield Gross
Funds in Court*				
Capital Sep 5	513.59	517.39	—	2.37
Gross Sep 5	189.38	190.84	—	10.22
High Yield Sep 5	299.73	302.14	—	7.26
* Restricted to monies under Court control				
Henderson Unit Trust Management Ltd				
Pensions Mngd	54.22	55.35	-0.28	3.64
INVESCO MIM Management Ltd				
Exempt Funds				
Intl Mngd P'Folio	1186	1278		—
Mngd Pens (Acc)	71.1	75.8		—
Lazard Brothers & Co. Ltd				
Property Sept 5	£2440.0	2680.0		6.00
Inc Gth Prp Apr 16	£1325.0	1460.0		7.20
Lazard Investors Ltd ‡‡				
Exempt Funds				
Small Co's Sept 12	£3744.9	3917.2		4.15
European Sept 12	£540.6	546.3		2.08
American Sept 12	£352.7	356.3		2.28
Japan Sept 12	£498.2	498		1.31
Pacific Sept 12	£140.2	143.6		1.93
W Midlands Aug 30	£144.50	161.30		2.48
Local Authorities Mutual Invest. Tst.*				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
Property Aug 31	199.20	203.20		7.39
Equity Aug 31	885.85	898.25		4.10
* Available only to Local Authorities				
M & G Securities Ltd				
Charibond Sept 16		103.95		10.37
(Accum Units)		597.31	+0.1	10.37
NAACIF Sept 10		43.36	—	9.07
Morgan Grenfell Unit Trust Managers Ltd				
Exempt Funds				
UK Equity † Sept 17	130.9	140.5	-2.3	3.64
UK Small Co † Sept 17	527.2	579.9	+17.0	3.47
Fixed Interest † Sept 17	111.0	116.7	+0.6	8.55
US Small Co Sept 17	160.7	171.9	-7.1	0.00

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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	Bid Price	Offer Price	+ or -	Yield Gross
N & P Life Assurance Ltd				
6-7 Bedford Row, London, WC1R 4UJ 071-430 2348				
Life Managed Fd	108.9	114.7	-0.3	-
Pension Managed Fd	108.4	114.1	-0.2	-
Life Deposit Fd	109.4	115.2		-
Pension Deposit Fd	115.5	121.6		-

National Financial Management Corp PLC
72 Gatehouse Rd, Aylesbury, HP19 3XJ 0296 395559

Providence Capital Life Assc. Co Ltd
2 Bartley Way, Hook, Hants RG27 9XA 0256 768888

Royal Heritage Life Assurance Ltd – Contd.

Skandia Life Assurance Co Ltd – Contd.

Target Life Assurance Co Ltd
The Exchange, 66 High St, Aylesbury, Bucks HP20 1SE (0296) 394000

Eurolife Assurance Group
Eurolife Hse 16 St John St, EC1M 4AY 071-454 1151

Finexco International Ltd
PO Box 193 St Peter Port, Guernsey 0481 713100

Johnson Fry Asset Managers Plc

Independent Financial Group PLC
Hornbeam Park, Harrogate, HG2 8QT 0423 873636

Lion World Fixed Income Fund

Lloyds Bdf Money Market Fund Ltd

National Mutual Life

National Provident Institution

Norwich Union Asset Management Ltd

Norwich Union Life Insurance Soc.

Pearl Assurance (Unit Funds) Ltd

Pegasus Assurance Ltd

Premium Life Assurance Co Ltd

Professional Life Assurance Co Ltd

Prolific Life & Pensions Ltd

Property Life Assurance Co Ltd

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

Prudential Assurance Co

Prudential Holborn Life Ltd

Prudential Holborn Pensions Ltd

Prudential Pensions Limited

Reliance Mutual

Royal Heritage Life Assurance Ltd

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group

Scottish Amicable

Scottish Equitable Life Assc. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Provident Institution

Scottish Widows' Group

Skandia Life Assurance Co Ltd

Standard Life Assurance Company

Sun Alliance Group

Sun Life of Canada (UK) Ltd

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

Swiss Pioneer Life Plc

TSB Life Ltd

Teachers' Assurance Company Ltd

Templeton Life Assurance Limited

Tunbridge Wells Equitable

Wesleyan Assurance Society

Windsor Life Assur Co Ltd

Woolwich Life Assurance Co Ltd

Zurich Life Assurance Co Ltd

OFFSHORE INSURANCES

AEtna Intl Assurance (Bermuda) Ltd

Albany International Assurance Ltd

CMI Insurance Co Ltd

Eagle Star Intl Financial Services

Equitable Life (International)

Equity & Law Intl Life Assce Co Ltd

Hansard International Ltd

Isle of Man Assurance Ltd

NEL Britannia International Ltd

PanEuroLife societe anonyme

Premium Life International Ltd

Providence Capital International Ltd

Royal Life Intl. Ltd

Royal Skandia Life Assurance Ltd

Sun Alliance International Life

Target International Group

MANAGEMENT SERVICES

Attica Investment Services Ltd

C F S Financial Mngmt

James Campbell Financial Services

Chase de Vere PLC

Edinburgh Money Management Ltd

Fairmount Financial Services Ltd

Gartmore Fund Managers Ltd

Hambro Financial Services

IPS Lamont PLC

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Orion Fund Limited

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

Bank of Ireland Unit Managers Ltd

هكذا من الأصل

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ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

	Bid Price	Offer Price	+ or -	Yield Gross
Tiger	$41.93	44 04	[illegible]	-
Wardley Investment Services Ltd				
Wardley S.E. Asia Tst	$12 97	13 69	-0 08	0.83
Japanese Warrants	$7.28	7.71	...	-
Asian Warrants	$10 34	10.95	+0 07	-
European Warrants	$5 08	5.39	+0.08	-
Managed	HK$10 13	10 80	-0 02	-
Private Capital Tst.	$19.98		+0.11	-
Wellington Fd Mngrs (Bermuda) Ltd				
Intel Growth Fd.	$12.96	13.59	-0.03	-
Wells Fargo U.S. IT Fund				
Wells Fargo A Shs (z)	$11.10		+0 06	-
Wells Fargo B Shs (z)	$11.82		+0 08	-
Xiphias International Investment Fd Ltd				
Xiphias Int USD	$1 0504		.....	-
Xiphias Int ECU	Ecu1 0688		..	-

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. *b* Distribution free of UK taxes. *p* Periodic premium insurance plans. *s* Single premium insurance. *u* Designated in Luxembourg as a UCITS (Undertakings for Collective Investment in Transferable Securities). *x* Offered price includes all expenses except agent's commission. *y* Previous day's price. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ≡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase. xd ex dividend.

(**) Funds not SIB recognised. The regulatory authorities for these funds are: Guernsey. Financial Services Commission; Ireland. Central Bank of Ireland; Isle of Man. Financial Supervision Commission; Jersey. Commercial Relations Department; Luxembourg. Institut Monétaire Luxembourgeois.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar's decline slows

THE DOLLAR finished weaker on the day in Europe, but its recent decline slowed after a fall of about 2½ pfennigs in the last week. Although the fall is generally expected to continue currency analysts believe that DM1.6500 is likely to prove a strong support level.

Interest rate factors continued to weigh on the currency. It had been assumed that last Friday's easing by the Federal Reserve would be the last in the present economic cycle, but the dollar's failure to recover reflects speculation that the Fed may be forced into another rate cut to boost economic recovery.

Mr Michael Boskin, chairman of the US president's council of economic advisers, said yesterday that "the Fed may have to take further action if over the next span of time the money supply doesn't rebound."

The dollar touched a low of DM1.6655 yesterday, before finishing around the middle of a fairly narrow trading range. There was little reaction to a smaller than expected rise of 0.3 per cent in August US industrial production, compared with a revised rise of 0.6 per cent in July.

Economists noted that if car assembly was stripped out production would have risen 0.5 per cent in August and also found the upward revision to the previous month encouraging. A rise in August capacity utilisation to 80.00 from 79.9 per cent was in line with expectations.

Mr Wayne Angell, a governor of the Federal Reserve Board, said on US television that the recession has run its course and the rundown in business inventories is essentially over. He added that the US discount rate cut was in recognition that inflation is coming down.

At the London close the dollar had fallen to DM1.6705 from DM1.6735; to SFr1.4585 from SFr1.4620; and to FFr5.6875 from FFr5.7000, but had improved slightly to Y133.80 from Y133.55. On Bank of England figures the dollar's index was unchanged at 64.7.

Sterling improved against the dollar, but maintained a soft tone in the European exchange rate mechanism despite finishing unchanged against the D-Mark.

The interest rate differential between London and Frankfurt has narrowed sharply and wholesale interest rates in London are close to discounting another cut in UK bank base rates. Speculation about further rate cuts in London and doubts about the timing of a UK general election undermined sentiment, pushing the pound down to second weakest member of the ERM.

Sterling rose 30 points to $1.7425 and climbed to Y233.25 from Y232.25. It was unchanged at DM2.9100 and SFr2.5425, but fell to FFr9.9100 from FFr9.9150. The pound's index finished unchanged at 91.0.

The D-Mark remained third strongest ERM currency. In Paris it was fixed at a six-month high of FFr3.4075, against FFr3.4051 on Monday. The French franc stayed the weakest member of the system

£ IN NEW YORK

Sep 17	Latest	Previous Close
£ Spot	1.7435-1.7445	1.7375-1.7385
1 month	0.76-0.74pm	0.71-0.69pm
3 months	1.99-1.96pm	1.98-1.95pm
12 months	6.57-6.50pm	6.65-6.55pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Sep.17	Previous
8.30 am	91.1	91.1
9.00 am	91.1	91.1
10.00 am	91.1	91.1
11.00 am	91.0	91.0
Noon	91.0	91.0
1.00 pm	91.0	91.0
2.00 pm	91.1	91.0
3.00 pm	91.0	91.0
4.00 pm	91.0	91.0

CURRENCY MOVEMENTS

Sep 17	Bank of England Index	Morgan** Guaranty Changes %
Sterling	91.0	-20.6
U.S Dollar	64.7	-14.4
Canadian Dollar	106.0	+3.5
Austrian Schilling	109.4	+11.6
Belgian Franc	110.8	-2.3
Danish Krone	108.6	+3.1
D-Mark	117.5	+24.2
Swiss Franc	109.9	+18.2
Dutch Guilder	113.7	+15.8
French Franc	102.4	-13.5
Lira	98.7	-19.9
Yen	138.4	+71.4

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Sep.16

CURRENCY RATES

Sep 17	Bank § rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.784653	0.703597

OTHER CURRENCIES

Singapore	2.9465 - 2.9535	1.6925 - 1.6945
S Af (Cm)	4.8910 - 4.9025	2.8145 - 2.8160
S Af (Fn)	5.4145 - 5.5000	3.1055 - 3.1545
Taiwan	46.30 - 46.40	26.55 - 26.60
U.A.E.	6.3700 - 6.4470	3.6715 - 3.6735

* Selling rate.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Sep 17	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	128.508	-3.83	5.24	66
Belgian Franc	42.4032	42.1994	-0.48	1.69	28
D-Mark	2.05586	2.04804	-0.38	1.59	31
Italian Lira	1538.24	1532.96	-0.34	1.55	22
Dutch Guilder	2.31643	2.30889	-0.33	1.53	21
Irish Punt	0.767417	0.766481	-0.12	1.33	10
Danish Krone	7.84195	7.90640	0.82	0.38	-33
Sterling	0.696904	0.703597	0.96	0.24	-19
French Franc	6.89509	6.97804	1.20	0.00	-61

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Sep 17	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7375 - 1.7470	1.7420 - 1.7430	0.75-0.73cpm	5.10	1.98-1.95pm	4.51
Canada	1.9765 - 1.9840	1.9790 - 1.9800	0.37-0.29cpm	2.00	0.88-0.75pm	1.65
Netherlands	3.2750 - 3.2875	3.2750 - 3.2850	⅛-¼cpm	1.14	¾-½pm	0.76
Belgium	59.80 - 60.15	60.00 - 60.10	9-4cpm	1.30	22-6pm	0.93
Denmark	11.2250 - 11.2690	11.2550 - 11.2650	⅞-¼orepm	0.60	1¼-¼pm	0.24

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

Sep 17	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C$	B Fr.	ECU
£	1	1.743	2.910	233.3	9.910	2.543	3.280	2178.	1.980	60.05	1.423
$	0.574	1	1.670	133.8	5.686	1.459	1.882	1250	1.136	34.45	0.816
DM	0.344	0.599	1	80.17	3.405	0.874	1.127	748.5	0.680	20.64	0.489
YEN	4.286	7.471	12.47	1000.	42.48	10.90	14.06	9336	8.480	257.4	6.099
F Fr.	1.009	1.759	2.936	235.4	10	2.566	3.310	2198	1.998	60.60	1.436
S Fr.	0.393	0.685	1.144	91.74	3.897	1	1.290	856.5	0.779	23.61	0.560
H Fl.	0.305	0.531	0.887	71.13	3.021	0.775	1	664.0	0.604	18.31	0.434
Lira	0.459	0.800	1.336	107.1	4.550	1.168	1.506	1000.	0.909	27.57	0.653
C$	0.505	0.880	1.470	117.8	5.005	1.284	1.657	1100	1	30.33	0.719
B Fr.	1.665	2.903	4.846	388.5	16.50	4.235	5.462	3627	3.297	100.	2.370
ECU	0.703	1.225	2.045	163.9	6.964	1.787	2.305	1531	1.391	42.20	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LONDON (LIFFE)

CHICAGO

PARIS

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls December	Calls March	Calls June	Puts December	Puts March	Puts June
104	-	-	-	0.12	-	-
105	1.89	-	-	0.28	-	-
106	1.15	-	-	0.55	-	-
107	0.65	1.13	-	-	-	-
Open Int.	98,258	30,843	2,075	77,160	32,185	7,700

Estimated volume 27,174 Total Open Interest 248,221

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.7425	1.7351	1.7228	1.7067	1.6766

IMM STERLING $s per £

	Latest	High	Low	Prev.
Dec	1.7240	1.7242	1.7196	1.7178
Mar	1.7040	1.7090	1.7040	1.7014
Jun	-	1.6900	-	-

BASE LENDING RATES

	%		%		%
Adam & Company	10.5	Co-operative Bank	10.5	McDonnell Douglas Bnk.	10.5
Allied Trust Bank	10.5	Coutts & Co	10.5	Midland Bank	10.5
AIB Bank	10.5	Credit Lyonnais	10.5	Mount Banking	10.5
● Henry Ansbacher	10.5	Cyprus Popular Bk	10.5	NatWestminster	10.5
B & C Merchant Bank	10.5	Dunbar Bank PLC	10.5	Northern Bank Ltd	10.5
Bank of Baroda	10.5	Duncan Lawrie	10.5	Nykredit Mortgage Bank	11.5
Banco Bilbao Vizcaya	10.5	Equatorial Bank plc	10.5	Provincial Bank PLC	14
Bank of Cyprus	10.5	Exeter Bank Limited	11	Roxburghe Bank Ltd.	11.5
Bank of Ireland	10.5	Financial & Gen. Bank	11	Royal Bk of Scotland	10.5
Bank of India	11	First National Bank Plc.	14	● Smith & Williamson Secs.	10.5
Bank of Scotland	10.5	● Robert Fleming & Co.	10.5	Standard Chartered	10.5
Banque Belge Ltd	10.5	Robert Fraser & Ptnrs.	11	TSB	10.5
Barclays Bank	10.5	Girobank	10.5	Unibank plc	10.5
Benchmark Bank	11	● Guinness Mahon	10.5	● United Bk of Kuwait	10.5
Brit Bk of Mid East	10.5	● Hambros Bank	10.5	Unity Trust Bank Plc	10.5
● Brown Shipley	10.5	Hampshire Trust Plc	13.5	Western Trust	10.5
CL Bank Nederland	10.5	Heritable & Gen Inv Bnk.	10.5	Westpac Bank Corp.	10.5
Citibank NA	10.5	● Hill Samuel	10.5	Whiteaway Laidlaw	10.5
City Merchants Bank	10.5	C. Hoare & Co.	10.5	Yorkshire Bank	10.5
Clydesdale Bank	10.5	Hongkong & Shanghai	10.5		
		● Leopold Joseph & Sons	10.5		
		Lloyds Bank	10.5		
		Meghraj Bank Ltd	10.5		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

London rates steady

INTEREST RATES were steady in London yesterday, while prices of short sterling futures moved a little higher after Monday's decline. The August UK public sector borrowing requirement of £1.85bn was in line with expectations and had no impact.

Three-month sterling interbank was quoted at 10⅛-10 per cent compared with 10¼-10⅛ per cent and 12-month funds were unchanged at 10⅛-10 per cent.

On Liffe December short sterling futures finished towards the top of the day's range of 90.12 to 90.20. The contract opened slightly lower at 90.15 and closed at 90.19 compared with 90.16 on Monday.

Day-to-day credit was in fairly comfortable supply on the cash market. The Bank of England initially forecast a shortage of £500m but revised this to £450m at noon. Total assistance of £471m was provided.

Before lunch the authorities bought £14m bills outright, by way of £7m bank bills in band 1 at 10⅜ per cent; £1m Treasury bills in band 2 at 10⅜ per cent; and £6m bank bills in band 2 at 10⅜ per cent.

In the afternoon another £272m bills were purchased outright, via £75m Treasury bills in band 1 at 10⅜ per cent and £197m bank bills in band 1 at 10⅜ per cent. Late assistance of around £185m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £320m, with exchequer transactions absorbing £150m and bank balances below target £115m. These outweighed a fall in the note circulation adding £100m to liquidity.

In Frankfurt call money was steady at 9.05 per cent as banks held comfortably high reserves despite a draining of liquidity through seasonal tax payments. With money leaving the banking system through tax payments dealers are looking to the Bundesbank to replace in full three tranches of expiring securities repurchase agreements today worth DM31.4bn. The central bank set a two-tranche tender for 28-day and 64-day funds yesterday at variable bid rates.

In New York the Federal Reserve added funds to the banking system through overnight system repurchase agreements when Federal funds were trading at 5½ per cent. This was well above the assumed new target rate of 5¼ per cent set last Friday when the Fed cut its discount rate.

UK clearing bank base lending rate 10.5 per cent from September 4, 1991

FT LONDON INTERBANK FIXING

(11.00 a.m. Sep.17) 3 months US dollars		6 months US Dollars	
bid 5¼	offer 5⅜	bid 5⅝	offer 5¾

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

Lunchtime		Treasury Bills and Bonds			
Prime rate	8	One month	5.21	Three year	6.48
Broker loan rate	7¾	Two month	5.25	Four year	6.63
Fed.funds	5½	Three month	5.32	Five year	7.09
Fed.funds at intervention	5½	Six month	5.45	Seven year	7.43
		One year	5.54	10-year	7.63
		Two year	6.17	30-year	7.94

Sep.17	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	9.00-9.10	8.95-9.10	9.00-9.15	9.05-9.20	9.20-9.35	9.25
Paris	9⅛-9¼	9⅛-9¼	9⅛-9¼	9⅛-9¼	9¼-9⅜	9.25
Zurich	7⅝-7⅞	8-8¼	-	8-8¼	-	-
Amsterdam	8.81-8.94	9.10-9.12	-	9.18-9.23	-	-
Tokyo	6⅞-6⅞	6⅞-6⅝	-	6⅞-6⅞	-	-
Milan	10⅝-11	11⅛-11¼	-	11⅝-11⅞	-	-
Brussels	9.06-9.18	9⅛-9⅛	-	9⅛-9⅛	-	-
Dublin	9⅝-9⅞	9⅞-9⅞	9⅞-9⅞	9⅞-10	9⅞-10	-

LONDON MONEY RATES

Sep 17	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	10⅞	10⅝	10½	10¼	10⅛	10⅛
Interbank Bid	9	10½	10⅜	10⅛	10	10
Sterling CDs	-	-	10½	10⅜	10⅛	10⅛
Local Authority Deps.	10⅞	10⅝	10½	10⅜	10⅛	10⅛
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	10¼	10½	-	-	-	-
Company Deposits	-	-	10⅝	10⅜	10¼	10¼
Finance House Deposits	-	-	10⅞	10⅜	10⅛	10⅛
Treasury Bills (Buy)	-	-	10⅛	9⅞	9⅞	-
Bank Bills (Buy)	-	-	10⅛	9⅞	9½	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	5.50	5.48	5.68	5.87
SDR Linked Dep. Offer	-	-	7⅜	7¼	7⅜	7⅜
SDR Linked Dep. Bid	-	-	7⅜	7⅛	7⅛	7¼
ECU Linked Dep. Offer	-	-	9¾	9¾	9⅝	9⅞
ECU Linked Dep. Bid	-	-	9⅝	9⅝	9⅝	9⅞

Treasury Bills (sell); one-month 10 per cent; three months 9½ per cent; six months 9⅜ per cent; Bank Bills (sell); one-month 10⅛ per cent; three months 9¾ per cent; Treasury Bills; Average tender rate of discount 9.5629 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day August 30, 1991. Agreed rates for period Sept.25, 1991 to October 25, 1991, Scheme I: 12.08 p.c., Schemes II & III: 12.17 p.c. Reference rate for period August 1, 1991 to August 30, 1991, Scheme IV&V: 10.950 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 11 from September 1, 1991. Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7 per cent; one-three months 9½ per cent; three-six months 9 per cent; six-nine months 9 per cent; nine-twelve months 9 per cent; Under £100,000 7 per cent from Sept 5, 1991. Deposits withdrawn for cash 5 per cent.

MONEY MARKET FUNDS

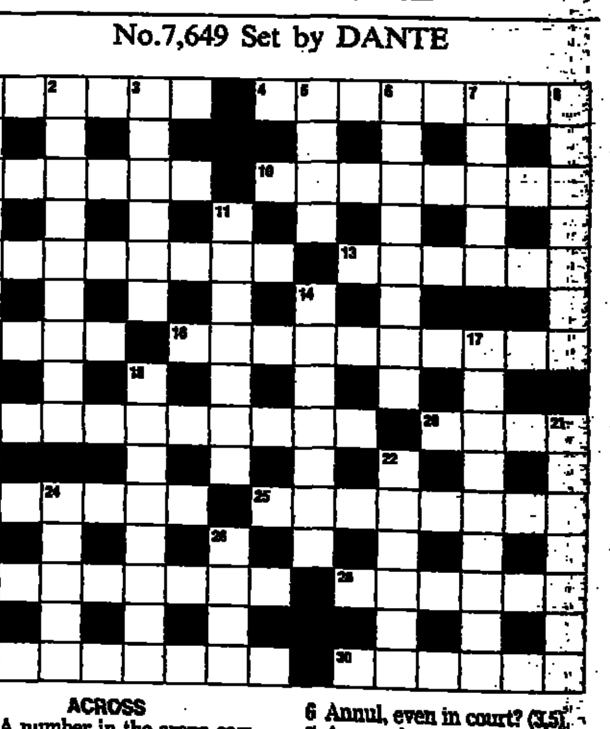
Money Market Trust Funds

Money Market Bank Accounts

JOTTER PAD

CROSSWORD

No.7,649 Set by DANTE



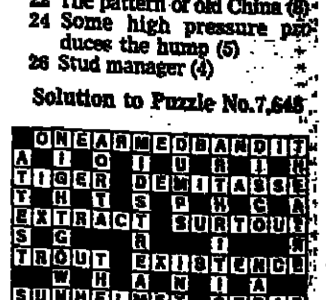
ACROSS

1 A number in the arena competing in track events (6)
4 Canst not be shaken! (8)
9 Bitterly continue a row with the French (6)
10 Flattery that won't wash? But it will! (4,4)
12 Distraught wanderer approached (4,4)
13 A track made by mountaineers (6)
15 Not the top team (4)
16 He contributes to the liquid assets of a bank (5,5)
19 Pound notes may be what it means! (10)
20 Run through essay (4)
23 New arrivals, we hear, at the docks (6)
25 Militant to work on arranged visit (8)
27 It cools the car, warms the house (8)
28 Mountain retreat needs freezer for fish (6)
29 A singular spectacle? (3-5)
30 Not a musical score (6)

DOWN

1 Screen has red centre and unusual rose edging (7)
2 He tries to swindle with a business offer (9)
3 Lyn gets up, puts on stockings first – these? (6)
5 Empty honour for a woodwind player (4)
6 Annul, even in court? (3,5)
7 A pound to one hermit will be (5)
8 Local draughtsman? (7)
11 Higher than everyone in the exam? (7)
14 Rodents carry out an unusual crime (7)
17 Produce I turn into a balanced diet (9)
18 Cocktail drunk before the dance (4-4)
19 Goldsmith turns to grab fed (7)
21 May be charged with assault (7)
22 The pattern of old China (8)
24 Some high pressure produces the hump (5)
26 Stud manager (4)

Solution to Puzzle No.7,648



WORLD STOCK MARKETS

CANADA

TORONTO

3:00 pm prices September 17

MONTREAL

3:00 pm prices September 17

Total Sales 6,619,400 shares

INDICES

NEW YORK

DOW JONES	Sep 16	Sep 13	Sep 12	Sep 11	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	3015.21	2985.69	3007.83	2987.03	3055.23 (28/8)	2470.30 (9/1)	3055.23 (28/8/91)	41.22 (2/7/32)
Home Bonds	96.55	96.34	96.43	96.12	96.55 (16/9)	91.30 (16/1)	96.55 (16/9/91)	54.99 (1/10/81)
Transport	1181.06	1182.65	1183.89	1175.42	1241.89 (3/6)	894.30 (7/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	208.12	206.50	207.12	206.81	220.89 (16/4)	195.17 (10/7)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 3023.03 (3021.47) Low 2973.61 (2963.10)

STANDARD AND POOR'S

	Sep 16	Sep 13	Sep 12	Sep 11	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	385.78	383.59	387.34	385.09	396.64 (28/8)	311.49 (9/1)	396.64 (28/8/91)	4.40 (1/6/32)
Industrials	457.35	454.66	459.40	456.65	472.01 (29/8)	364.90 (9/1)	472.01 (29/8/91)	3.62 (21/6/32)
Financial	31.13	31.10	31.40	31.18	32.24 (14/8)	21.96 (9/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	211.65	210.58	212.42	211.21	217.17 (28/8)	170.97 (9/1)	217.17 (28/8/91)	4.46 (25/4/42)
Amex Mkt. Value	366.87	367.34	366.22	364.68	373.40 (18/4)	296.72 (14/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	515.68	516.71	521.13	514.76	526.39 (29/8)	355.75 (14/1)	526.39 (29/8/91)	54.87 (31/10/72)

	Sep 13	Sep 6	Aug 30	year ago (approx.)
Dow Industrial Div. Yield	3.07	3.04	3.01	3.95

	Sep 11	Sep 4	Aug 28	year ago (approx.)
S & P Industrial div. yield	2.74	2.70	2.63	3.28
S & P Ind. P/E ratio	21.01	21.33	21.71	15.44

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
Beazer	3,537,000	8⅛	+ 2¼
Pepsico	3,237,700	29⅞	- ⅜
Amer Express	2,738,100	25½	...
Utd Telecomms	2,300,400	23¾	- 1⅛
AT & T	1,905,500	37⅝	- ¼
Philip Morris	1,882,000	72¾	+ ¼
IBM	1,840,100	103¾	+ ⅞
Gen Elec	1,811,900	69¾	+ 1⅞
Royal Dutch	1,800,900	81¼	+ ⅞
Unisys	1,372,200	4¾	+ ⅛

TRADING ACTIVITY

† Volume (Millions)	Sep 16	Sep 13	Sep 12
New York SE	171.960	167.800	160.310
Amex	10.995	17.059	15.096
NASDAQ	137.572	166.631	172.796
NYSE			
Issues Traded	2,116	2,088	2,079
Rises	908	662	956
Falls	709	894	598
Unchanged	499	532	525
New Highs	66	78	66
New Lows	21	16	11

CANADA

TORONTO	Sep 16	Sep 13	Sep 12	Sep 11	1991 HIGH	1991 LOW
Metals & Minerals	2965.90	2956.75	2959.59	2966.18	3299.99 (18/7)	2632.06 (9/1)
Composite	3428.17	3421.14	3437.59	3428.76	3582.07 (7/6)	3161.95 (15/1)
MONTREAL Portfolio	1823.59	1815.45	1823.98	1817.39	1903.86 (7/6)	1686.89 (9/1)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Sep 17	Sep 16	Sep 13	Sep 12	1991 HIGH	1991 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1556.8	1557.2	1567.8	1569.1	1591.3 (7/8)	1204.5 (16/1)
All Mining (1/1/80)	652.1	655.1	659.5	662.0	707.2 (24/7)	561.6 (16/1)
AUSTRIA						
Credit Aktien (30/12/84)	469.68	468.74	471.19	468.04	534.81 (16/4)	390.84 (15/1)
BELGIUM						
BEL20 (1/1/91)	1111.49	1112.84	1119.26	1116.18	1212.15 (17/4)	917.59 (17/1)
DENMARK						
Copenhagen SE (3/1/83)	367.07	366.88	367.59	366.62	380.04 (2/8)	302.26 (8/1)
FINLAND						
HEX General (28/12/90)	905.6	920.4	924.0	928.5	1186.9 (8/4)	890.5 (23/1)
FRANCE						
CAC General (31/12/82)	496.67	493.38	492.71	487.48	496.67 (17/9)	394.88 (15/1)
CAC 40 (31/12/87)	1878.42	1878.26	1876.19	1861.17	1878.42 (17/9)	1425.26 (15/1)
GERMANY						
FAZ Aktien (31/12/58)	676.60	677.38	678.18	674.59	717.43 (17/6)	570.48 (15/1)
Commerzbank (1/12/53)	1905.0	1907.1	1909.3	1899.60	2035.2 (31/5)	1612.5 (15/1)
DAX (30/12/87)	1634.55	1629.75	1637.62	1631.32	1715.80 (11/6)	1311.82 (16/1)
HONG KONG						
Hang Seng Bank (31/7/64)	3938.71	3953.53	3974.12	3970.10	4079.01 (14/8)	2984.01 (16/1)
IRELAND						
ISEQ Overall (4/1/88)	1466.71	1464.64	1467.80	1457.72	1520.65 (15/3)	1114.86 (25/1)
ITALY						
Banca Com. Ital. (1972)	545.39	541.61	544.24	540.91	619.38 (3/6)	486.26 (29/1)
JAPAN						
Nikkei (16/5/49)	23443.61	(c)	23134.43	22530.28	27146.91 (18/3)	21456.76 (19/8)
Tokyo SE (Topix) (4/1/68)	1807.71	(c)	1786.84	1748.58	2028.85 (18/3)	1625.08 (17/1)
2nd Section (4/1/68)	2750.28	(c)	2734.65	2734.21	3423.45 (10/5)	2473.52 (24/1)
MALAYSIA						
KLSE Composite (4/4/86)	536.32	541.34	544.46	549.41	635.02 (29/5)	470.41 (16/1)
NETHERLANDS						
CBS Tti.Rtn.Gen.(End 1983)	280.6	280.2	279.7	280.1	284.8 (5/6)	221.4 (16/1)
CBS All Shr (End 1983)	197.4	197.1	198.4	198.7	203.1 (5/6)	162.3 (16/1)
NORWAY						
Oslo SE Ind) (2/1/83)	758.50	762.58	769.57	767.67	793.53 (26/8)	610.45 (21/1)
PHILIPPINES						
Manila Comp (2/1/85)	907.69	905.70	918.58	902.02	1183.48 (29/5)	582.64 (10/1)
SINGAPORE						
SES All-Singapore (2/4/75)	382.48	384.06	385.99	387.20	422.43 (26/4)	315.07 (16/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1127.0	1188.0	1119.0	1139.0	1469.0 (5/7)	971.0 (25/2)
JSE Industrial (28/9/78)	4216.0	4205.0	4209.0	4218.0	4237.0 (10/9)	2829.0 (16/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	682.95	685.34	680.85	683.31	763.10 (6/8)	590.57 (22/6)
SPAIN						
Madrid SE (30/12/85)	271.83	272.07	272.32	271.32	289.22 (18/3)	213.70 (14/1)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	1082.2	1081.0	1089.5	1094.4	1149.8 (11/7)	808.4 (8/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	753.1	754.4	760.1	759.5	769.2 (29/8)	590.4 (14/1)
SBC General (1/4/87)	620.6	621.6	625.9	625.2	638.0 (31/5)	487.1 (14/1)
TAIWAN**						
Weighted Price (30/6/66)	4532.25	4565.99	4544.47	4663.02	6305.22 (9/5)	3316.26 (15/1)
THAILAND						
Bangkok SET (30/4/75)	711.20	711.47	715.57	722.55	908.13 (19/4)	582.48 (16/1)
WORLD						
M.S. Capital Intl.(1/1/70) ($)	511.8*	509.9	508.9	506.5	529.2 (17/4)	439.1 (16/1)

**Saturday September 14: Taiwan Weighted Price: 4534.26 Korea Comp Ex. 688.71
& Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: BEL20, HEX General, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Tuesday 17 September 1991

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Meiji Seika	11.3m	1,190	+10	Nippon Steel	8.0m	436	+11
Hitachi Zosen	10.8m	808	0	NKK	7.5m	418	-1
Mitsubishi Heavy	10.1m	749	+9	Cosmo Oil	7.4m	881	0
Toyo Tire	9.1m	895	+100	Mitsui	6.9m	818	-3
Mitsui Shipbldg	9.0m	640	+17	I'kawajima	6.7m	740	+8

3:15 pm prices September 17

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1991 High	1991 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
16⅞	9¼	AAR Corp	0.48	0.03	15	582	14¼	14½	14¼	+⅛
18¼	14½	A L Labs A	0.16	0.01	17	72	16⅛	16	16	−⅛
56¼	40⅞	AMP Inc	1.44	0.03	20	643	52	51⅛	51⅝	−⅛
68⅝	44¼	AMR			11	1344	58½	57⅝	57⅞	
2⅝	1	ARX			1	182	1¼	1⅛	1¼	+⅛
56	41½	ASA	3.50	0.08	13	269	46	45½	45¾	+¼
55¼	39¼	Abbott Lab x	1.00	0.02	22	3460	53⅝	53⅛	53½	+¼
14⅝	8⅞	Abitibi Pr	0.50	0.04	24	10	13½	13½	13½	−⅛
11⅝	10⅝	ACM Gvt In x	1.26	0.11		390	11⅛	11	11⅛	+⅛
9¾	8¾	ACM GvOpp x	1.01	0.11		136	9½	9⅜	9½	
9¼	8¼	ACM Gvt Sp	1.01	0.11		95	9⅛	9	9⅛	+⅛
11	9⅞	ACM Gvt Se	1.26	0.12		469	10⅝	10½	10⅝	
8⅝	7⅝	ACM Mgn x	1.01	0.12		385	u8⅝	8½	8½	
12⅞	11½	ACM Mangd x	1.35	0.11		248	12⅜	12¼	12⅜	+⅛
7½	4⅜	Acme Cleve	0.40	0.06	16	80	6⅜	6⅛	6⅛	−¼
6	3⅞	Acme Elect			2	13	4⅝	4⅜	4⅜	
40	22¾	Acuson			20	6273	30	29⅝	29¾	+½
16⅛	14¼	Adams Expr	0.73	0.04	0	25	18⅞	18¾	18⅞	
20⅛	17½	Adobe12Pf	2.40	0.13		14	19¼	19	19	
9¾	6⅝	Adobe Res			4	6179	7	7	7	
38⅛	18	Ad Micro				3	34	34	34	−⅛
14¼	4⅝	Ad Micro P	3.00	0.29		156883	10⅜	10¼	10¼	−⅛
5⅛	2¼	Advest Grp	0.16	0.05	4	59	3	3	3	−⅛
48⅛	31⅞	Aetna Ll	2.76	0.08	6	6252	33¼	32⅛	33¼	+1⅛
10⅝	6⅝	Affil A	0.24	0.02	44	622	8¼	8	8	−⅛
20⅞	12	Ahmanson	0.88	0.05	10	1480	17⅝	17⅜	17⅛	−⅛
13⅛	2⅞	Aileen Inc			10	293	10½	9⅝	10½	−¼
74⅛	51⅛	Air Pr Chm	1.56	0.02	14	758	67	66⅛	66¼	−¾
30	16⅝	Airbne Frt	0.30	0.01	17	1286	26⅛	25¾	25¾	−1
18⅞	12½	Airgas Inc			95	61	17⅝	17½	17⅛	−⅛
15¼	10	Airlease x	1.68	0.13	7	52	13¼	13¼	13¼	
96½	88¼	AlaPw8.16	8.16	0.08		5	93½	93½	96	+2½
25⅛	21⅛	AlaPw PfA	2.00	0.08		11	u25⅛	25⅛	25⅛	
105	100	AlaPw9 44	9.44	0.09		2	104	104	104	
108	102⅝	Alab Pw 11				2	104	104	104	

- A - - B - - C - - D - - E - - F - - G - - H - - I - - J - - K - - L - - M - - N - - O - - P - Q - - R -

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

- X - Y - Z -

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge
60⅛	35¼	Xerox	3.00	0.05	10	975	57½	57	57	-¼
51½	43¼	Xerox4.125				18	51	51	51	
21½	14⅛	Xtra 1.94				30	20⅞	20⅞	20⅞	
24⅞	14¼	Xtra Corp	0.72	0.03	76	50	23¼	22⅞	22⅞	-⅛
24¼	21⅞	Yankee Egy	1.60	0.07	11	135	24⅛	23¾	24⅛	+½
1½	⅞	Zapata			2	326	1⅛	1	1	-⅛
9⅝	5½	ZenithElec			1	75	5⅝	5½	5⅝	
18½	12	Zenith Nat x	1.00	0.06	94	17	16½	16¼	16¼	-¼
6¼	4½	Zenix Inc x	0.84	0.14		85	6	6	6	
15⅛	10⅞	Zero Corp	0.40	0.03	17	72	14⅞	14¾	14¾	+⅛
41⅞	29½	Zurn Ind x	0.88	0.02	14	203	35¼	34¾	35	+⅛
13½	10¼	Zweig Fund	1.12	0.09		336	12¼	12	12⅛	
10¼	8½	Zweig Totl x	0.95	0.09		685	10⅛	10	10⅛	

Price data supplied by Telekurs.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3:00 pm prices September 17

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Hasbro	0.24	31	798	27⅜	27	27⅛	
Health Ch		1	20	1⅝	1⅝	1⅝	
Odetics A		17	25	4⅛	d4⅛	4⅛	-⅛
Oilsten	0.24	34	320	23⅛	22⅝	23	+½
OMI Corp	0.14	13	245	9⅝	9¼	9¼	-⅛
Pall Corp	0.44	27	1363	38⅞	37½	37⅞	
Xytronix		35	65	21½	20¾	20¾	-1

NASDAQ NATIONAL MARKET

3:00 pm prices September 17

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		35	1407	29¼	28	29	+¼
XL Data		34	475	11⅛	11⅛	11½	-⅛
Xoma Corp		8	3914	17	16¼	16¼	-½
Yellow Fr	0.94	16	380	30⅛	30	30	
York Rsch		60	3055	8	7	7¼	+½
ZionsUtah	1.44	9	3	48	47	47	

AMERICA

Volatility fears keep investors out of equities

Wall Street

A SHORTAGE of buyers yesterday morning left share prices sliding lower in thin, unconvincing trading, *writes Karen Zagor in New York*.

At 1 pm, the Dow Jones Industrial Average was off 7.38 at 3,007.83 after gaining 29.52 to 3,015.21 on Monday in a late afternoon programme-driven rally. Declining issues had a very thin edge on those advancing. The slightly negative tone of the market was reflected in the more representative Standard & Poor's 500, which eased 0.09 to 385.69 at 12.30 pm, and in the Nasdaq composite of secondary stocks, which was 0.68 lower at 515.

Fear of volatility ahead of this week's "triple witching", when stock-index futures, stock index options and options on individual stocks will expire at the end of the week, kept many investors out of the market.

Traders were unimpressed by the morning's release of industrial production statistics, which showed growth of 0.3 per cent for August, below the expected 0.5 per cent.

Beazer led NYSE trading for a second day, following Hanson's £351.4m bid for Britain's fourth largest housebuilder. At midsession, the shares held steady at $8⅛ after surging $2¼ a day earlier.

Among actively-traded blue chips, American Telephone & Telegraph was unchanged at $37⅝, Philip Morris slid $⅛ to $72⅝ and PepsiCo firmed $¼ to $29⅝.

Meanwhile, the scandal-plagued Salomon continued to drift lower yesterday morning, sliding $⅝ to $24¼. Merrill Lynch, however, added $1⅛ to $44¼ amid speculation that Merrill stands to gain from Salomon's suffering.

Shares in Cabletron Systems dropped $2¼ to $45⅝ after a secondary offering of 2.5m common shares was priced at $45. Quaker Oats climbed $1½ to $57 on news that the company will resume a 7m share repurchase programme that was first announced in 1989.

In over-the-counter trading, Centocor slid $2⅝ to $49¾ after an analyst at Merrill Lynch cut his rating on the stock to hold in the wake of the stock's recent surge. Centocor was trading below $38 in early September, before a Food & Drug Administration advisory panel recommended approval of the company's drug to treat bacterial infections, including septic shock.

Among other drug companies, Arbor Drugs rose $⅜ to $19¾. The stock has been added to Shearson's list of select growth stocks.

Collagen added $⅞ to $16⅝ after the FDA asked the company to change its labelling on its Collagen injection products.

Concern about the computer industry continued to dominate the secondary market. Intel, the big semiconductor company, extended its losses by dropping $⅝ to $40¾. The issue has lost about $9 since Friday, when Intel warned that its third quarter earnings would be disappointing.

Concern about earnings at Sun Microsystems prompted an analyst at Merrill Lynch to cut his medium-term rating on the issue to neutral from above average. The shares fell $1⅛ to $28⅞.

Canada

TORONTO stocks tumbled to the day's low as the market retreated from Monday's marginal gains. Underlying weakness remains in the market, reflecting the negative outlook for third quarter earnings and growing pessimism over 1992 earnings. The TSE-300 composite index lost 9.3 to 3,418.9. Declining issues led advances by 221 to 170 on volume of 9.8m shares valued at C$99.6m.

SOUTH AFRICA

TRADING CENTRED on Barlow Rand's R1.1bn deal with Anglo American and Gencor. Barlow rose R2.75 to R51.25. The industrial index gained 13 to 4,216, the all-gold index put on 19 to 1,127 and the all-share added 27 to 3,423.

ASIA PACIFIC

Nikkei gains 1.3% on hopes of lower interest rates

Tokyo

SHARE PRICES gained ground yesterday on the Tokyo market's return from a long weekend. Investors were optimistic about an imminent monetary easing, following Friday's cut in the US discount rate, *writes Emiko Terazono in Tokyo*.

The Nikkei average rose for the fourth consecutive day to close at 23,443.61, up 309.18 or 1.3 per cent. The index opened at the day's low of 23,182.17 and hit the day's high of 23,559.65 at the morning close after early arbitrage-linked buying had pushed prices up.

Volume fell from Friday's 1.2bn shares to 550m, but foreigners remained large buyers. Gains led losses by 750 to 256, with 156 issues unchanged. The Topix index of all first section stocks climbed 20.87 to 1,807.71, and in London trading the ISE/Nikkei 50 index firmed 1.41 to 1,374.62.

A stronger yen and lower bond yields encouraged a surge in futures prices. Foreign brokerages have anticipated a rally, as the recent slew of economic indicators have shown a slowdown in the economy and inflationary pressures, while worries over the supply-demand situation have eased.

Mr Chris Newton at James Capel said a further rally could carry the Nikkei up to 26,000 by the end of this year.

Domestic institutions failed to follow the foreign buying. Traders said that, other than some life insurers taking profits on their holdings, most institutional investors remained quiet.

Electronic issues were firm on foreign demand. Prospects of lower earnings had previously depressed the sector, and investors sought the stocks as laggards. Fujitsu gained Y30 to Y950 and Sony Y120 to Y5,690.

Meiji Seika, the most active issue on the day, was up Y10 at Y1,190 after reaching a high for the year of Y1,210. The issue has been popular on reports of the development of a cancer drug, but some investors were taking profits and shifting funds to other issues.

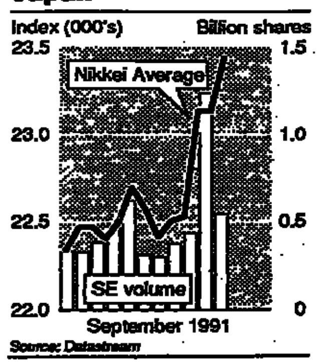
Large-capital shares were higher on hopes of an imminent interest rate cut. Mitsubishi Heavy Industries advanced Y9 to Y749 and Nippon Steel Y11 to Y436.

Toyo Tire & Rubber surged Y100 to Y895 amid rumours that speculators have been switching from Nippon Carbon to Toyo.

In Osaka, the OSE average advanced 417.09 to 25,846.18 in volume of 62m shares. Tsudakoma, the textile machine maker, jumped Y150 to Y1,400 on reports that the company had developed the world's first "fuzzy-logic" controlled jet loom. Company officials said they would aim to market the product next year.

Nintendo, the game maker, added Y300 at Y13,900. Investors were encouraged by the decline in margin positions from a peak of 15m shares to a current 8m shares.

Japan



Source: Datastream

Roundup

CURRENCY concerns weighed on Australia and Taiwan in a generally quiet day for Pacific Rim markets.

AUSTRALIA was held back by continued strength in the domestic dollar. The All Ordinaries index ended down 1.3 at 1,555.8 after turnover of A$171m, against A$166m.

Pacific Dunlop fell 12 cents to A$5.06 on a 36 per cent drop in profits, and a one-for-five A$673m rights issue to fund the takeover of Petersville Sleigh, the food producer.

TAIWAN was dragged down by fears about the local currency's strength on corporate earnings. The weighted index dropped 33.74 to 4,532.25. Turnover remained near the year's lowest levels, at T$10.36bn after T$9.48bn.

NEW ZEALAND was lifted by lower interest rates and ignored the rising New Zealand dollar. The NZSE-40 index closed 4.91 higher at 1,413.68 after turnover of NZ$14.3m, down from NZ$21.9m.

Fletcher Challenge closed 3 cents lower at NZ$3.40. The stock has been under pressure since last week, when some analysts issued pessimistic earnings forecasts.

MANILA was encouraged by the government's push for a referendum to overturn the senate's rejection of a new military bases treaty with the US. The composite index improved 1.99 to 907.69.

Philippine National Bank (PNB) and Ayala Land fell as a result of the senate's rejection. PNB closed down 12.50 pesos at 260 while Ayala Land declined 0.50 peso to 13.50. Oil shares proved more resilient on local buying ahead of oil drilling scheduled in November in the southern Philippines.

HONG KONG failed to be inspired by the overnight rally on Wall Street. The Hang Seng index ended 14.82 lower at 3,938.71 in turnover of HK$888m, down from HK$1.08bn. Investors were sidelined ahead of Jardine Matheson Holdings' interim results, due today.

SINGAPORE closed mixed after a firm opening. The Straits Times Industrial index lost 9.79 to 1,394.88 in turnover of S$55m, after S$49m.

Newly listed Scotts Holdings was the most actively traded stock with 2.47m shares changing hands. It closed 4 cents lower at S$1.02, below Monday's issue price of S$1.25.

JAKARTA continued to fall in quiet trading. The index declined 6.8 or 2.4 per cent to 281.29 on volume of 3.2m shares, down from 5m.

BOMBAY lost 1.8 per cent as the authorities banned forward trading in 20 stocks in an attempt to cool down the market. The BSE index fell 33.80 to 1,878.55 from Monday's record.

EUROPE

Bourses show slight upturn in generally steady trading

BOURSES MOVED slightly higher yesterday, as certain sectors and individual stocks attracted interest, *writes Our Markets Staff*.

FRANKFURT ticked to the positive side of its recently narrow trading range, following overnight gains in New York and Tokyo. The DAX index finished 4.80 higher at 1,634.55 after a 0.70 decline to 676.60 in the FAZ at midsession; volume rose from DM3.5bn to DM4.1bn.

Moves between the big cyclical sectors left carmakers and banks on the downside, while chemicals continued to show the modest actual or relative strength of the past few days. Bayer rose DM2 to DM290, firming after hours to DM291 on hopes that the company's meeting with fund managers in London yesterday would produce good news.

In Germany, Bayer was talking about tough global competition making it difficult to pass along environmental protection measures to customers. Ms Jackie Ashurt, James Capel's European chemicals analyst, said this was common cause in the industry – which was also getting ready to impose its traditional, post-summer price rises.

In the automotive sector, Porsche slipped another DM5 to DM710. Negative stories about earnings prospects and its own announcement about employee reductions outweighed the stated interest by Mercedes-Benz in taking a stake in the sports car builder.

BMW, which on Monday announced a four-day working week at its Munich plant, fell DM6 to DM510, although it emphasised that operatives would still be working the same number of hours a week. But the lorry maker, MAN, extended Friday's rally with a gain of DM6.80 to DM382.30 on its results for 1990-91.

MILAN rose on the first day of the October account. Trading centred on insurer Generali as it launched its large L1.7 trillion rights issue. The stock was steady at L25,870. The Comit index rose 3.78 to 545.39 in volume estimated at less than Monday's L119bn.

There was some buying interest in state groups. Sme and Alivar rose in anticipation of a merger between the two food groups. Sme rose 4.4 per cent or L140 to L3,340 and Alivar rose L230 to L11,170.

In the telecommunications sector, Italcable fell 3.7 per cent or L245 to L6,350 on a report in a domestic newspaper that the company had lost its international monopoly. The report also said that AT&T would be promoting a service that would make telephone calls to the US up to 50 per cent cheaper.

PARIS again retreated from its day's high to end almost unchanged, before the end of the monthly trading account on Friday. The CAC 40 index rose to 1,890.50, but closed only 0.16 up at a third successive year's high of 1,878.42. Turnover was active at FFr2.8bn, after Monday's FFr2bn.

There was good demand for individual stocks. Lafarge Coppée, the cement maker, benefited from a reappraisal after Hanson's bid for Beazer, the UK building materials group. The stock gained FFr11 or 2.9 per cent to FFr384 in volume of 347,750 shares.

Legrand, the electrical parts maker, jumped FFr155 or 4.2 per cent to FFr3,840 after a smaller-than-expected fall in first-half profits.

Accor continued to attract buyers after its recent weakness, rising to a day's high of FFr838 before closing FFr9 up at FFr829, while Casino, the retailer, gained FFr5.30 or 3.6 per cent to FFr153.10 in good volume of 310,050 shares. After the bourse closed, BSN said it would buy Casino's pre-cooked foods subsidiary.

L'Air Liquide added Pta2 to Pta697 before announcing a 6 per cent rise in first-half net profits after the market closed.

AMSTERDAM ended barely changed as the release of the Dutch 1992 budget contained no surprises. The CBS tendency index rose 0.1 to 92.2.

MADRID marked time in quiet trading. The general index eased 0.24 to 271.83 as turnover picked up from Monday's Pta8.6bn to about Pta10bn, a third of which was accounted for by Telefónica. The telecoms group gained Pta30 to Pta1,050 in 2.88m shares, after reports of a large order from a US buyer.

STOCKHOLM was little changed in cautious trading as the conservative Moderate party leader, Mr Carl Bildt, set about forming a coalition government. The Affärsvärlden General index rose 2.2 to 1,083.2 as volume rose to SKr359m from SKr311m.

Astra was the day's most active stock as the free A shares rose SKr7 to SKr572.

BRUSSELS was weighed down by a foreign investor's sale of a block of 11,300 shares in Delhaize, the retailer. The Bel20 index lost 1.35 to 1,111.49 in turnover of BFr836m. Delhaize accounted for 40 per cent of volume, falling BFr50 to BFr7,570 in 45,400 shares.

Barco, the electronics company which announces first-half results next week, dropped BFr40 or 4.1 per cent to BFr936.

HELSINKI continued its slide on budget and devaluation fears. The Hex index fell 14.8 or 1.6 per cent to 905.6, 15 points above its year's low.

OSLO's all-share index slipped below the 500 level. The index lost 3.75 to 499.13 in light turnover of NKr188m.

FT-SE Eurotrack 100 - Sep 17

Hourly changes

Open	10 am	11 am	Noon	1 pm	2 pm	3 pm	Close
1114.81	1113.59	1115.11	1115.80	1115.57	1115.76	1115.69	1115.57

Day's High 1116.23 Day's Low 1113.51

Sep 16	Sep 13	Sep 12	Sep 11	Sep 10
1111.95	1116.74	1117.77	1111.14	1112.84

Base value 1000 (26/10/90).

Volume eases despite August excitement

Activity rose on only two European bourses, says **William Cochrane**

AUGUST HAS been a month to remember over the past three years. This year it accommodated the unsuccessful Soviet coup; last year, the Iraqi invasion of Kuwait; in 1989, trading was hectic in the months leading up to the Wall Street mini-crash on Friday, October 13.

This year's excitements did little for embattled European stockbrokers. The Soviet fears had a spectacular but short-term effect on share prices; with Germany the worst affected of the senior bourses, markets lost up to 10 per cent on the day of the abortive coup, and recovered most of their losses over the next week or so. But in terms of volume, only the Netherlands and Switzerland improved on a mostly quiet July, and these by relatively little.

Mr James Cornish of County NatWest, which produces the figures, says the Dutch equity market saw an exceptional rise in trading activity during and just after the Moscow coup. He notes that Amsterdam is the most international of the European majors, with big blue chips that are easy to sell at a time of crisis, and easy to buy when they look cheap.

The Soviet crisis last month was much more short-lived than its Middle Eastern counterpart of 1990-91, and accordingly had less effect on the level of trading. Last year there was a pronounced "spike" in the figures, as Dutch market turnover rose from Fl 12.2bn in July to Fl 17.9bn in August, and fell back again to Fl 11.2bn in September.

Switzerland's gain was, in fact, merely a minor recovery. Zurich's preoccupation with domestic inflation and short-term interest rates has led to lower aggregate volume during the first eight months of this year.

The halcyon days of the early and middle 1980s, when Switzerland was a byword for hard currency and low inflation and interest rates, are long gone.

The annual inflation rate was still running at 6 per cent in August; and whatever the domestic prospects might be, events on the German political and monetary scene have led to a slow erosion of hopes that interest rates could be eased in the short term. Foreign investors, whose buying led to a modest rally in Swiss equities in the spring, have been taking a neutral position.

Elsewhere in Europe, the trends were all down, the most pronounced decline being in Italy, 12 per cent lower on the month and 48 per cent below the June level. Milan's latest stockbroking scandal is only part of the story.

Reports of the underlying fraud did not really hit the market until the final week of the month; and the September figures are going to be affected by the delay of the August trading account settlement for two weeks from August 30.

Mr Roberto Morelli of County NatWest says recent turnover figures of L50bn to L80bn a day are symptomatic of a deeper, and longer standing, malaise which has seen the renascent Italian mutual funds industry going for domestic bonds and foreign equities, to the exclusion of Italian equities. "Turnover got as high as L800bn in 1986, when people really believed in Italian equities," he remembers, somewhat ruefully.

EUROPEAN EQUITIES TURNOVER
Monthly total in local currencies (bn)

Bourse	May 1991	Jun 1991	July 1991	Aug 1991	US $bn
Belgium	39.22	40.69	34.55	32.12	0.86
France	88.95	115.82	101.88	90.82	14.77
Germany	120.90	142.40	110.00	106.68	58.77
Italy	13,652.00	14,744.00	8,733.60	7,712.00	5.72
Netherlands	12.30	10.41	10.75	11.74	5.74
Spain	716.00	636.12	630.86	585.00	5.22
Switzerland	12.30	12.50	9.42	9.90	6.35
UK	26.36	26.70	32.13	30.55	49.50

Volumes represent purchases and sales.
Italian data adjusted to include off-market trading. Some figures may be revised.
Source: County NatWest WoodMac.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY SEPTEMBER 16 1991								FRIDAY SEPTEMBER 13 1991					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991 High	1991 Low	Year ago (approx)
Australia (70)	151.27	−0.1	128.93	127.70	131.61	125.91	−0.6	4.80	151.35	129.56	128.11	132.51	126.64	151.75	112.74	144.88
Austria (20)	182.96	−0.3	155.93	154.45	159.18	159.45	−1.0	1.78	183.46	157.04	155.28	160.62	161.10	222.37	154.82	213.31
Belgium (47)	131.22	+0.2	111.84	110.77	114.16	111.80	−0.4	5.30	131.00	112.14	110.87	114.69	112.26	151.20	118.04	138.99
Canada (114)	137.25	+0.4	116.98	115.86	119.41	112.85	+0.3	3.36	136.75	117.06	115.74	119.72	112.49	142.27	126.49	129.89
Denmark (37)	257.85	+0.1	219.77	217.68	224.34	226.99	−0.3	1.55	257.49	220.41	217.94	225.43	227.72	270.56	217.74	258.88
Finland (16)	94.93	+0.2	80.91	80.14	82.59	81.75	−0.2	2.95	94.75	81.10	80.20	82.95	81.93	125.15	89.53	116.67
France (109)	144.13	+0.9	122.85	121.67	125.39	128.87	+0.2	3.44	142.90	122.32	120.94	125.10	128.55	152.26	119.11	135.50
Germany (65)	112.03	+0.5	95.48	94.59	97.47	97.47	−0.1	2.31	111.46	95.41	94.35	97.58	97.58	125.35	94.15	117.63
Hong Kong (55)	164.54	−0.6	140.24	138.91	143.17	163.67	−0.6	4.32	165.52	141.69	140.10	144.92	164.67	169.98	119.62	123.45
Ireland (18)	163.99	+0.9	139.77	138.44	142.67	144.69	+0.3	3.46	162.52	139.12	137.56	142.29	144.21	182.46	132.88	147.19
Italy (77)	72.66	−0.1	61.92	61.33	63.21	67.98	−0.7	3.44	72.70	62.23	61.53	63.64	68.43	88.23	64.76	88.13
Japan (474)	*132.07*	*+0.3*	*112.58*	*111.49*	*114.92*	*111.49*	*+0.0*	0.76	131.72	112.75	111.49	115.34	111.49	146.97	116.23	128.43
Malaysia (68)	202.07	−0.9	172.23	170.58	175.81	214.45	−0.9	2.77	203.89	174.53	172.57	178.50	216.38	247.78	189.18	213.53
Mexico (16)	1222.76	−0.3	1042.16	1032.24	1063.86	4075.53	−0.3	1.31	1226.36	1049.77	1038.00	1073.69	4087.56	1226.36	534.45	514.95
Netherland (31)	141.87	+0.0	120.92	119.77	123.44	122.06	−0.7	4.42	141.91	121.48	120.12	124.25	122.97	145.73	125.70	137.07
New Zealand (14)	47.18	+0.2	40.21	39.83	41.05	42.63	−0.3	7.14	47.08	40.30	39.85	41.22	42.74	54.64	41.18	60.57
Norway (31)	202.94	−0.4	172.97	171.32	176.57	180.90	−0.9	1.56	203.67	174.34	172.39	178.32	182.52	223.24	178.58	271.89
Singapore (38)	195.97	−0.8	167.03	165.44	170.50	153.34	−0.9	2.32	197.58	169.13	167.23	172.98	154.74	208.25	151.63	163.45
South Africa (61)	248.00	+0.5	211.37	209.35	215.76	170.20	−0.2	3.24	246.87	211.32	208.94	216.13	170.51	258.85	173.00	170.86
Spain (53)	155.86	+0.5	132.84	131.58	135.60	123.98	+0.0	4.34	155.04	132.71	131.23	135.74	123.97	171.12	131.51	140.56
Sweden (25)	197.93	−0.9	168.70	167.10	172.22	178.96	−1.1	2.49	199.66	170.91	169.00	174.81	180.97	204.12	146.60	195.63
Switzerland (58)	95.45	+0.1	81.35	80.58	83.06	86.52	−0.8	2.23	95.36	81.62	80.71	83.50	87.26	100.67	82.17	94.84
United Kingdom (240)	182.43	−0.3	155.49	154.00	158.71	155.49	−0.7	4.76	182.90	156.56	154.79	160.11	156.56	187.44	156.27	159.21
USA (527)	156.41	+0.5	133.31	132.04	136.09	156.41	+0.5	3.10	155.61	133.20	131.71	136.24	155.61	161.02	125.95	128.06
Europe (827)	143.45	+0.1	122.26	121.10	124.81	124.09	−0.5	3.86	143.32	122.68	121.31	125.48	124.66	151.52	125.50	136.63
Nordic (109)	191.22	−0.3	162.98	161.43	166.37	164.07	−0.7	1.98	191.87	164.24	162.40	167.98	165.26	200.81	155.55	199.78
Pacific Basin (719)	133.20	+0.2	113.53	112.45	115.89	113.07	−0.1	1.10	132.94	113.79	112.52	116.39	113.15	145.92	117.86	129.65
Euro – Pacific (1546)	137.60	+0.2	117.28	116.15	119.71	118.22	−0.2	2.25	137.39	117.61	116.28	120.28	118.49	147.66	121.29	132.84
North America (641)	155.15	+0.5	132.23	130.99	135.01	153.46	+0.5	3.12	154.37	132.14	130.67	135.17	152.69	159.66	125.91	128.06
Europe Ex. UK (587)	120.33	+0.4	102.56	101.60	104.72	106.08	−0.3	3.17	119.90	102.64	101.51	105.00	106.38	129.80	103.58	122.14
Pacific Ex. Japan (245)	144.40	−0.4	123.07	121.92	125.65	126.88	−0.6	4.31	144.95	124.08	122.71	126.92	127.69	147.60	111.40	131.42
World Ex. US (1737)	139.41	+0.2	118.82	117.70	121.30	119.54	−0.2	2.30	139.18	119.14	117.81	121.86	119.79	148.16	122.32	133.34
World Ex. UK (2024)	140.46	+0.4	119.71	118.58	122.22	128.65	+0.1	2.33	139.96	119.80	118.47	122.55	128.46	145.77	120.06	127.66
World Ex. So. Af. (2203)	143.42	+0.3	122.24	121.08	124.79	130.83	+0.1	2.58	143.00	122.41	121.05	125.21	130.75	148.66	122.92	130.22
World Ex. Japan (1790)	151.85	+0.3	129.42	128.20	132.14	141.96	+0.1	3.44	151.39	129.59	128.15	132.56	141.84	152.83	126.69	132.29
The World Index (2264)	144.10	+0.3	122.82	121.65	125.38	131.17	+0.1	2.59	143.88	122.99	121.62	125.80	131.10	149.01	123.28	130.46

Latest prices were unavailable for this edition. Japanese market closed September 16.